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# THE BUDGET OF THE UNITED STATES GOVERNMENT

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DEPARTMENT OF DEFENSE EXTRACT  
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## FOREWORD

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PART 1

THE BUDGET MESSAGE  
OF THE  
PRESIDENT

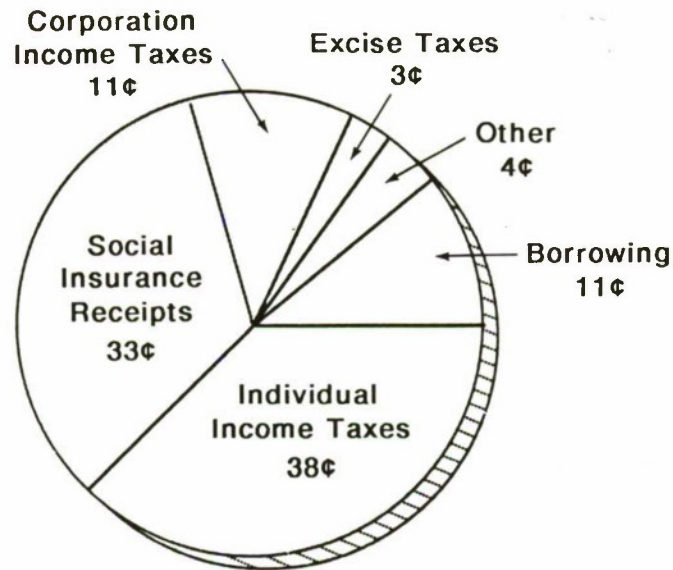
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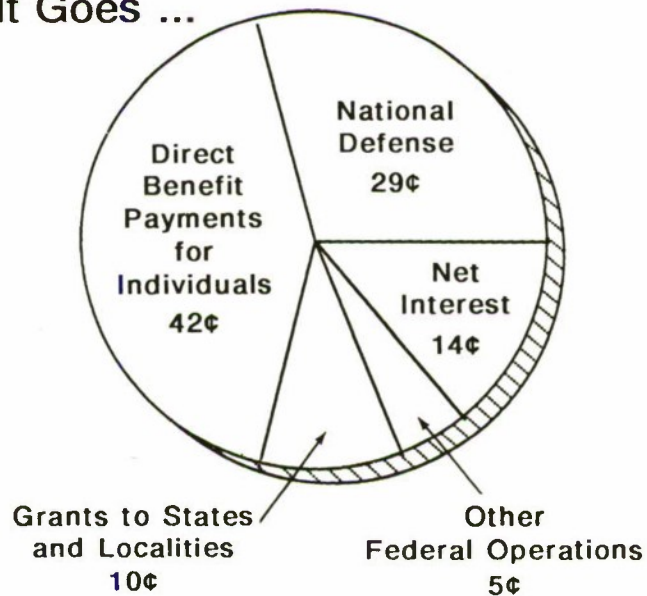
# The Federal Government Dollar

## Fiscal Year 1988 Estimate

### Where It Comes From ...



### Where It Goes ...





## THE BUDGET MESSAGE OF THE PRESIDENT

*To the Speaker of the House of Representatives and the  
President of the Senate:*

The current economic expansion, now in its 50th month, is already one of the longest of the postwar era and shows promise of continuing to record length. This has not been due simply to chance—it is the result of successful policies adopted during the past 6 years. Disposable personal income is at an all-time high and is still rising; total production and living standards are both increasing; employment gains have been excellent. Inflation, which raged at double-digit rates in 1980, has been reduced dramatically. Defense capabilities, which had been dangerously weakened during the 1970's, have been substantially rebuilt, restoring a more adequate level of national security. An insupportable growth in tax burdens and Federal regulations has been halted, an intolerably complex and inequitable income tax structure has been radically reformed, and the largest management improvement program ever attempted is in full swing in all major Federal agencies. It has been a good 6 years.

Now in its 5th year, the current expansion already has exceeded 5 of the 7 previous postwar expansions in duration, and leading economic indicators point to continued growth ahead. Our policies have worked. Let me mention a few highlights of the current economic expansion:

- In the past 4 years 12.4 million new jobs have been created, while the total unemployment rate has fallen by 3.7 percentage points. By comparison, jobs in other developed countries have not grown significantly, and unemployment rates have remained high.
- Inflation, which averaged 10.3 percent a year during the 4 years before I came to office, has averaged less than a third of that during the last 4 years—3.0 percent; inflation in 1986, at about 1 percent, was at its lowest rate in over two decades.
- The prime rate of interest, and other key interest rates, are less than half what they were in 1981.
- Between 1981 and 1986, numerous change in the tax code, including a complete overhaul last year, have simplified reporting, made the tax law more equitable, and significantly lowered tax rates for individuals and corporations. Six million low-income taxpayers are being removed from the income tax

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rolls. The inhibitive effect of our tax code on individual initiative has been reduced dramatically. Real after-tax personal income has risen 15 percent during the last 4 years, increasing our overall standard of living.

- Our defense capabilities have been strengthened with modernized equipment and successful recruiting and retention of higher caliber personnel; the readiness, training, and morale of our troops has been improved.
- After years of unsustainably rapid growth, Federal spending for domestic programs other than entitlements has been held essentially flat over the last 4 years.
- Since 1981, the amount of time spent by the public filling out forms required by the Federal Government has been cut by over 600 million hours, and the number of pages published annually in the *Federal Register* has been reduced by over 45 percent.
- Our continuing fight against waste, fraud, and abuse in Government programs has paid off, as the President's Council on Integrity and Efficiency has saved \$84 billion in funds that have been put to more efficient use.
- Finally, Federal agencies have instituted the largest management improvement program ever attempted to bring a more business-like approach to Government.

The dramatic improvement in the performance of our economy stemmed from steadfast adherence to the four fundamental principles of the economic program I presented in February 1981:

- limiting the growth of Federal spending;
- reducing tax burdens;
- relieving the economy of excessive regulation and paperwork; and
- supporting a sound and stable monetary policy.

#### BUDGET SUMMARY

(In billions of dollars)

	1986	1987	1988	1989	1990	1991	1992
Receipts.....	769.1	842.4	916.6	976.2	1,048.3	1,123.2	1,191.2
Outlays.....	989.8	1,015.6	1,024.3	1,069.0	1,107.8	1,144.4	1,178.9
Surplus or deficit (—).....	—220.7	—173.2	—107.8	—92.8	—59.5	—21.3	12.3
Gramm-Rudman-Hollings deficit targets.....	—171.9	—144.0	—108.0	—72.0	—36.0	0.0	0.0
Difference.....	48.8	29.2	—0.2	20.8	23.5	21.3	—12.3

Note.—Totals include social security, which is off-budget.

### NEED FOR DEFICIT REDUCTION

The foundation has been laid for a sustained era of national prosperity. But a major threat to our future prosperity remains:



the Federal deficit. If this deficit is not brought under control by limiting Government spending, we put in jeopardy all we have achieved. Deficits brought on by continued high spending threaten the lower tax rates incorporated in tax reform and inhibit progress in our balance of trade.

We cannot permit this to happen. Therefore, one of the major objectives of this budget is to assure a steady reduction in the deficit until a balanced budget is reached.

This budget meets the \$108 billion deficit target for 1988 set out in the Balanced Budget and Emergency Deficit Control Act, commonly known for its principal sponsors as Gramm-Rudman-Hollings. Gramm-Rudman-Hollings committed both the President and Congress to a fixed schedule of progress toward reducing the deficit. In submitting this budget, I am keeping my part of the bargain—and on schedule. I ask Congress to do the same. If the deficit reduction goals were to be abandoned, we could see unparalleled spending growth that this Nation cannot afford.

This budget shows that eliminating the deficit over time is possible *without* raising taxes, *without* sacrificing our defense preparedness, and *without* cutting into legitimate programs for the poor and the elderly, while at the same time providing needed additional resources for other high priority programs.

#### DEFICIT REDUCTION IN 1988

Although the deficit has equalled or exceeded 5 percent of the gross national product (GNP) in each of the past 4 years, each year I have proposed a path to lower deficits—involving primarily the curtailment of unnecessary domestic spending. Congress, however, has rejected most of these proposals; hence, our progress toward reducing the deficit has been much more modest than it could have been.

This year there appears to be a major turn for the better. The 1987 deficit is estimated to be about \$48 billion less than in 1986 and should decline to less than 4 percent of GNP. As the economy expands, Federal receipts will rise faster than the increase in outlays Congress enacted for the year.

However, there is no firm guarantee that progress toward a steadily smaller deficit and eventual budget balance will continue. On a current services basis the deficit will continue to decline over the next 5 years, but this decline is gradual and vulnerable to potential fiscally irresponsible congressional action on a multitude of spending programs. It is also threatened by the possibility of a less robust economic performance than is projected, for that projection is based on the assumption that the necessary spending cuts will be made.

This 1988 budget can deal the deficit a crucial blow. If the proposals in this budget are adopted and if the economy performs according to the budget assumptions for growth and inflation, then for the second consecutive year the deficit should shrink substantially, by \$65 billion, and thus decline to less than 2½ percent of GNP. Reducing the deficit this far would bring it within the range of our previous peacetime experience and bring our goal of a balanced budget much closer to realization.

Moreover, if Congress adopts the proposals contained in this budget, it will ensure additional deficit reductions in future years, because in many cases the savings from a given action, although small in 1988, would mount in later years. Given the good start made in 1987, Congress has an opportunity this year—by enacting this budget—to put the worst of the deficit problem behind us.

Adopting the spending reductions and other reforms proposed in this budget would reduce the Federal deficit an average \$54 billion annually for the next 3 years. This represents \$220 each year for every individual American and about \$600 for every household. I believe this is the appropriate way to deal with the deficit: cutting excessive Federal spending rather than attacking the family budget by increasing taxes, weakening our national security, breaking faith with the poor and the elderly, or ignoring the requirements for additional resources for other high priority programs.

#### A MORE COMPETITIVE, PRODUCTIVE AMERICA

The task of deficit reduction is a formidable one—but it can and should be achieved with serious attention to the effects on America's economy, businesses, State and local governments, social organizations, and individual citizens. Reducing the deficit will reduce the burden the Federal Government places on private credit markets. The specific deficit reduction measures proposed in this budget would also help make our economy more competitive—and more productive. These objectives have been major considerations in the formulation of this budget.

*High priority programs must be funded adequately.* Despite the very tight overall fiscal environment, this budget provides adequate funds for maintaining and, in selected cases, expanding high priority programs in key areas of national interest. For example:

- essential services and income support for the aged and needy are expanded;
- the prevention, treatment, and research efforts begun in my 1987 drug abuse initiative are continued, while resources devoted to drug law enforcement have tripled since my administration began;
- the budget allocates \$85 million to more intensive health care for those with the highest incidence of infant mortality;



- over half a billion dollars is provided for AIDS research and education in 1988—a 28 percent increase above the 1987 level and more than double our 1986 effort (an additional \$100 million is provided for AIDS treatment and blood screening by the Veterans Administration and the Department of Defense);
- building upon the Nation's preeminence in basic biomedical research, the budget seeks funding for the full multiyear costs of biomedical research grants made by the National Institutes of Health;
- a \$200 million increase over the 1987 level is proposed for compensatory education for educationally disadvantaged children;
- current ineffective programs intended to assist dislocated workers are replaced by an expanded billion-dollar program carefully designed to help those displaced from their jobs move quickly into new careers;
- a 68 percent increase in funding is provided to permit the Federal Aviation Administration to modernize the Nation's air traffic control system; this includes the procurement of doppler radars capable of detecting severe downdrafts that imperil landings and takeoffs at airports where this is a hazard;
- for 1988, \$400 million is provided to carry out newly enacted immigration reform legislation;
- substantial increases in funding for clean coal technology demonstrations, as well as research on acid rain formation and environmental effects, are provided to address the acid rain problem; and
- a new civil space technology initiative, together with previously planned increases to construct a space station, develop a national aerospace plane, and foster the commercial development of space, are provided in this budget.

Restoring our national security also has been one of my highest priorities over the past 6 years due to the serious weakness arising from severe underfunding during the middle and late 1970's. Nonetheless, defense and international programs have not escaped the effects of fiscal stringency. The defense budget actually has declined in real terms in each of the past 2 years. This trend cannot be allowed to continue. I am proposing in this budget a 3 percent real increase over last year's appropriated level. This request—some \$8 billion less than last year's—is the minimum level consistent with maintaining an adequate defense of our Nation.

Likewise, my request for our international affairs programs is also crucial to our effort to maintain our national security. I urge

Congress not to repeat last year's damaging cuts, but rather to fund these programs fully.

*The incentive structure for other Federal programs should be changed to promote efficiency and competitiveness.* One of the problems with many Federal programs is that they provide payments without encouraging performance or efficiency. They are perceived to be "free" and, therefore, there is potentially unlimited demand. This has to be changed—and this budget proposes creating needed incentives in critical areas.

Our farm price support programs, under the Food Security Act of 1985, are proving much too costly—half again as costly as estimated when the bill was enacted just one year ago. The \$25 billion being spent on farm subsidies in 1987 is 14 percent of our total Federal deficit and equivalent to taking \$415 of each nonfarm family's taxes to support farmers' incomes—over and above the amount that price supports add to their grocery bills. Some of the provisions of the Act encourage farmers to overproduce just to receive Federal benefits. Other provisions give the greatest benefits to our largest and most efficient agricultural producers instead of to those family farmers most in need of help. My administration will propose amendments to the Food Security Act to focus its benefits on the full-time family farmer by placing effective limitations on the amount paid to large producers and removing the incentive for farmers to overproduce solely to receive Federal payments.

Reform of the medicare physician payment system is also proposed. Under the proposals, medicare would pay for radiology, anesthesiology, and pathology (RAP) services based on average area costs instead of inflationary fee-for-service reimbursements. The current fee-for-service payment distorts incentives and induces inappropriate billing for unneeded services. This initiative would remove the distortions caused by medicare's current reimbursement rules, eliminating a key barrier preventing the restoration of traditional arrangements between RAP physicians and hospital staffs.

The budget proposes continued increases in federally supported basic research that will lead to longer term improvements in the Nation's productivity and global competitiveness. For example, the budget projects a doubling within 5 years of the National Science Foundation's support for academic research. I also propose to increase support for training future scientists and engineers, and to foster greater technology transfer from Government to industry.

Another way of attaching a "value" to Government-provided services—and an incentive to use them only as needed—is to charge user fees where appropriate. Those who receive special Federal services—not the general taxpayer—should bear a greater



share of the costs of those services. Accordingly, this budget imposes fees for Federal lending activities, for meat and poultry inspection, for National park and forest facilities, for Coast Guard services, for Customs inspections, and for many other services.

***The Government should stop competing with the private sector.*** The Federal Government interferes with the productivity of the private sector in many ways. One is through borrowing from the credit markets to finance programs that are no longer needed—as in the case of the rural housing insurance fund, direct student financial assistance, urban mass transit discretionary grants, vocational education grants, the Federal Crop Insurance Corporation fund, sewage plant construction grants, justice assistance grants, the Legal Services Corporation, and rural electrification loans. I am proposing in this budget that we terminate these programs and rely instead on private or State and local government provision of these services.

The budget also proposes that a number of programs that have real utility be transferred back to the private sector, through public offerings or outright sales. Following our successful effort to authorize sale of Conrail, I am now proposing the sale of the Naval Petroleum Reserves, AMTRAK, the Alaska Power Administration, the helium program, and excess real property. In addition, I am proposing legislation to authorize study of a possible divestiture of the Southeastern Power Administration. These “privatization” efforts continue to be a high priority of my administration and, I believe, will result in increased productivity and lower total costs of providing these services. The Federal Government needs to provide essential services that are truly public in nature and national in scope. It has no business providing services to individuals that private markets or their State or local governments can provide just as well or better.

The Federal Government should depend more on the private sector to provide ancillary and support services for activities that remain in Federal hands. The budget proposes that the work associated with over 40,000 Federal positions be contracted out to the private sector as yet another way to increase productivity, reduce costs, and improve services.

***Federal credit programs should operate through the private markets and reveal their true costs.*** The Federal Government provides credit for housing, agriculture, small business, education, and many other purposes. Currently, over a trillion dollars of Federal or federally assisted loans are outstanding. Including lending of Government-sponsored enterprises, federally assisted lending amounted to 14 percent of all lending in U.S. credit markets in 1985.

Under current treatment, loan guarantees appear to be “free”; they do not affect the budget until and unless borrowers default. Direct loans are counted as outlays when they are made, but as “negative outlays” when they are repaid; thus, direct loans seem “free” too, inasmuch as it is presumed they will be repaid. But neither direct loans nor loan guarantees are free. Besides the better terms and conditions a borrower gets from the Government, there is the matter of default. When a borrower does not repay a direct loan, the negative outlay does not occur, and this is a subsidy implicit in the original loan transaction. When a borrower defaults on a guaranteed loan, the Government has to make good on repayment—also a program subsidy.

Since these effects are poorly understood and lead to grave inefficiencies in our credit programs, we will ask Congress to enact legislation whereby the true cost to the economy of Federal credit programs would be counted in the budget. By selling a substantial portion of newly made loans to the private sector and reinsuring some newly made guarantees, the implicit subsidy in the current practice will become explicit. This reform will revolutionize the way Federal credit activities are conducted.

The private sector will also be increasingly involved in the management of our huge portfolio of outstanding loans and loan guarantees. Delinquent Federal borrowers will be reported to private credit bureaus, and private loan collection agencies will be used to help in our collection efforts. The Internal Revenue Service (IRS) will expand its “offsetting” of refunds to pay off delinquent Federal debts, and Federal employees who have not paid back Federal loans will have their wages garnisheed.

***Increased role for State and local governments.*** Over the past 6 years I have sought to return various Federal services to State and local governments—which are in a much better position to respond effectively to the needs of the recipients of these services. To me, this is a question of reorganizing responsibilities within our Federal system in a manner that will result in more productive delivery of the services that we all agree should be provided. Thus, this budget phases out inappropriate Federal Government involvement in local law enforcement, sewage treatment, public schools, and community and regional development. Transportation programs will be consolidated or States will be given greater flexibility in the use of Federal funds for highways, mass transit, and airports.

***Federal regulations must be reduced even further to improve productivity.*** My administration will continue the deregulation and regulatory relief efforts that were begun in 1981. The Task Force on Regulatory Relief, headed by the Vice President, has been reinstated. In the past, excessive Federal regulations and related paperwork have stifled American productivity and individual freedom.



We must continue our efforts to streamline the regulatory process and to strike the proper balance between necessary regulation and associated paperwork on the one hand, and the costs of these requirements on the other.

***Federal activities should be better managed.*** The American people deserve the best managed Federal Government possible. Last year, I initiated the Federal Government Productivity Program, with the goal of improving productivity in selected areas by 20 percent by 1992. A substantial portion of total direct Federal employment falls within the program, including such activities as the Department of Agriculture meat and poultry inspection, Navy aircraft maintenance and repair, social security claims processing, National Park maintenance, operation of Federal prisons, and IRS processing of tax returns.

Credit reform, privatization, productivity improvement, and other proposals will be described in more detail in the *Management Report* to be issued this month. It will also identify further measures to reduce waste, fraud, and abuse; to improve management of the Government's \$1.7 trillion cashflow; to institute compatible financial management systems across all Federal agencies; and other initiatives to improve the management of Government operations. These ambitious management reform undertakings, called "Reform '88," constitute the largest management reform effort ever attempted.

The budget also proposes a new approach to paying Federal employees who increase their productivity. I ask that Congress approve a new plan to transform the current system of virtually automatic "within-grade" salary increases for the roughly 40 percent of employees eligible each year for these 3 percent hidden pay raises to one that is "performance-oriented". This will give Federal employees stronger incentives to improve service delivery.

I include with this budget my recommendations for increases in executive level pay for the executive, legislative, and judicial branches of the Federal Government. The Quadrennial Commission report submitted to me on December 15, 1986 documented both the substantial erosion in the real level of Federal executive pay that has occurred since 1969 and the recruitment and retention problems that have resulted, especially for the Federal judiciary. The Commission is to be commended for its diligent and conscientious effort to address the complicated and complex problems associated with Federal pay levels.

Every one of the Quadrennial Commissions that have met over the past 18 years has recognized that a pay increase for key Federal officials was necessary. Each Commission concluded that pay for senior Government officials fell far behind that of their counterparts in the private sector. They also understood that we cannot afford a



Government composed primarily of those who are wealthy enough to serve. Unfortunately, the last major Quadrennial Commission pay adjustment was in 1977—a decade ago.

However, I recognize that we are under mandated efforts to reduce the Federal deficit and hold down the costs of Government to the absolute minimum level. In this environment, I do not believe it would be appropriate to implement fully the Quadrennial Commission recommendations.

Accordingly, I have decided to propose a pay increase, but have cut substantially the recommendations made by the Quadrennial Commissioners in their report to me last month. Moreover, I have decided to establish a Career Manager Pay Commission to review and report to me by next August on appropriate pay scales for our elite corps of career Government managers. The pay increases I am proposing to Congress, plus the results of this new Commission, should place Government compensation on a fairer and more comparable footing.

### **PEACE THROUGH STRENGTH**

I have become convinced that the only way we can bring our adversaries to the bargaining table for arms reduction is to give them a reason to negotiate—while, at the same time, fulfilling our responsibility to our citizens and allies to provide an environment safe and secure from aggression.

We have built our defense capabilities back toward levels more in accord with today's requirements for security. Modest and sustained growth in defense funding will be required to consolidate the real gains we have made. Because of severe fiscal constraints, we are proceeding at a slower pace than I originally planned, and the budget I propose provides the minimum necessary to ensure an adequate defense.

I am also submitting, for the first time, a two-year budget for National Defense. This will permit greater stability in providing resources for our defense efforts and should lead to greater economy in using these resources.

### **BUDGET PROCESS REFORM**

The current budget process has failed to provide a disciplined and responsible mechanism for consideration of the Federal budget. Budget procedures are cumbersome, complex, and convoluted. They permit and encourage a process that results in evasion of our duty to the American people to budget their public resources responsibly. Last year Congress did not complete action on a budget for 8 months and 2 weeks—2 weeks past the statutory deadline. Except for the initial report of the Senate Budget Committee, Congress missed every deadline it had set for itself just 9 months earlier. In

the end, Congress passed a yearlong, 389-page omnibus appropriations bill full of excessive and wasteful spending. Because Congress had not completed action on the annual appropriations bills, at one point I was compelled by law to initiate a shutdown of Federal Government activities. Such abrogation of a responsible budget process not only discourages careful, prudent legislation—it encourages excessive spending and waste.

Furthermore, since I, as President, do not have a line-item veto, I had to ignore the many objectionable features of the omnibus appropriations legislation and sign it to avoid a Federal funding crisis. I am sure that many Members of Congress do not approve of this method of budgeting the Federal Government.

Last Fall's funding crisis and its slap-dash resolution are only one of the most obvious manifestations of the flaws in the system. Congress passes budget resolutions (without the concurrence of the President) based on functions; it considers 13 separate, but related, appropriations bills based on agencies, not functions; it develops a reconciliation bill; it passes authorizing legislation, sometimes annually; and it enacts limits on the public debt. The words alone are obscure and confusing; the process behind it is chaotic. The process must be streamlined and made more accountable.

Shortly, I will outline specific reforms designed to make the process more efficient and increase accountability, so that we can give the American people what they deserve from us: a budget that is fiscally responsible and on time.

### CONCLUSION

Looking back over the past 6 years, we can feel a sense of pride and satisfaction in our accomplishments. Inflation has been brought under control. Growth and investment are up, while interest rates, tax rates, and unemployment rates have all come down substantially. A foundation for sustained economic expansion is now in place. Our national security has been restored to more adequate levels. The proliferation of unnecessary and burdensome Federal regulations has been halted. A significant beginning has been made toward curbing the excessive growth of domestic spending. Management of the Government is being improved, with special emphasis on productivity.

Important tasks, however, still remain to be accomplished. The large and stubbornly persistent budget deficit has been a major source of frustration. It threatens our prosperity and our hopes for continued economic growth.

Last year, the legislative and executive branches of Government responded to this threat by mandating gradual, orderly progress toward a balanced budget over the next 4 years. The proposals outlined here achieve the 1988 target while preserving legitimate

programs for the aged and needy, providing for adequate national security, devoting more resources to other high-priority activities, and doing this without raising taxes.

This budget presents hard choices which must be faced squarely. Congress must not abandon the statutory deficit targets of Gramm-Rudman-Hollings. Honoring the provisions and promises of this legislation offers the best opportunity for us to escape the chronic pattern of deficit spending that has plagued us for the past half century. We must realize that the deficit problem is also an opportunity of a different kind—an opportunity to construct a new, leaner, better focused, and better managed Federal structure supporting a more productive and more competitive America.

RONALD REAGAN

JANUARY 5, 1987



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**PART 2**

**BUDGET SUMMARY AND  
PRIORITIES**

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## BUDGET SUMMARY AND PRIORITIES

The President's budget for 1988 proposes further reduction in the deficit while maintaining Federal support for the core functions of Government. In particular, this budget:

- meets the Gramm-Rudman-Hollings 1988 deficit target of \$108 billion—a reduction of \$65 billion in 1988, following a reduction of \$48 billion in 1987;
- avoids increasing the Nation's tax burden;
- reflects bipartisan consensus to protect social security;
- provides 3 percent real growth in funding for national defense, that is, 3 percent real growth above the 1987 appropriated level; and
- reforms, reduces, or terminates an assortment of programs, saving taxpayers \$19 billion in 1988 alone.

### PRESIDENT'S 1988 BUDGET

(In billions of dollars)

	1986	1987	1988	1989	1990	1991	1992
<b>Totals:</b>							
Receipts.....	769.1	842.4	916.6	976.2	1,048.3	1,123.2	1,191.2
Outlays.....	989.8	1,015.6	1,024.3	1,069.0	1,107.8	1,144.4	1,178.9
Deficit or surplus.....	-220.7	-173.2	-107.8	-92.8	-59.5	-21.3	12.3
Gramm-Rudman-Hollings targets.....	-171.9	-144.0	-108.0	-72.0	-36.0	0.0	0.0
<b>Year-to-Year Changes:</b>							
Receipts.....	35.0	73.3	74.2	59.6	72.1	74.9	68.1
Outlays.....	43.5	25.8	8.8	44.6	38.8	36.6	34.5
Deficit.....	-8.5	+47.5	+65.4	+15.0	+33.3	+38.2	+33.6

As a share of gross national product (GNP), the proposed reduction in the deficit is dramatic—from 5.3 percent of GNP in 1986 to just 2.3 percent in 1988.

The President's budget calls for holding the outlay increase to \$9 billion, from \$1,016 billion in 1987 to \$1,024 billion in 1988. After adjustment for inflation, spending would decline in real terms.

The \$9 billion increase in proposed outlays reflects the net impact of:



- an increase of \$2 billion for net interest payments;
- an increase of \$11 billion for social security benefits under existing law;
- an increase of \$15 billion in spending for national defense;
- an increase of \$1 billion for major medical programs; and
- a net decrease of \$21 billion for other Federal spending. This decrease reflects the net impact of increased revenues from asset sales, privatization initiatives, and user fees—a total of \$13 billion—as well as a wide variety of programmatic increases and decreases.

The following sections describe the major budget proposals by programmatic category. Social security, national defense, major medical, and the category of other mandatory programs are discussed separately from domestic discretionary programs. Spending for mandatory programs is determined largely by the number of individuals or businesses that meet eligibility and benefit criteria established by law. Funding for national defense and domestic discretionary programs is determined by authorizations and appropriations, rather than by benefit criteria in substantive legislation. Domestic discretionary programs are described in three broad groupings—economic subsidies and development, social programs, and general government functions (including the conduct of international affairs). The discussion of programmatic changes is followed by a discussion of the proposed changes in revenues from the sale of assets, the collection of user fees, and other sources. Summary tables on these categories are provided at the end of this chapter.

### PROGRAMMATIC CHANGES

***Social Security.***—The administration proposes no changes in social security benefits. Approximately one in every six Americans is a social security beneficiary. The average benefit for a retired worker and spouse will be about \$10,000 in 1987—an increase of approximately \$265 per month (or nearly \$3,200 per year) over the 1981 level. Benefits will continue to increase as new retirees receive higher benefits based on higher average wages.

Nearly all Americans participate in the social security program, either by receiving benefits or by paying payroll taxes that finance them. Primarily because benefits will increase by the change in the consumer price index and a growing number of beneficiaries, outlays for social security benefits are estimated to increase from \$205 billion in 1987 to \$217 billion in 1988.

***National Defense.***—Defense budget authority levels declined in real terms in both 1986 and 1987. The 1987 appropriated amount is now 6 percent below that for 1985. In those years, Congress cut \$65



billion from administration requests, with reductions in both operations and investment programs. As a result, the rebuilding of our national security capabilities has been delayed, and in the end may prove more costly. Fewer aircraft, missiles, and ships are being purchased than is prudent. There is less investment in ammunition, in war reserve stocks, and in the development of systems that will provide new capabilities. Fewer resources are available for combat readiness.

Specific congressionally mandated reductions in the President's budget request over the past 2 years include:

- a 65 percent cut in Peacekeeper strategic missiles—a reduction of 45 missiles from a 2-year request of 69 missiles;
- a 30 percent cut in funding for the Strategic Defense Initiative—a reduction of \$2.8 billion from a 2-year request of \$9.3 billion;
- a 27 percent cut in a variety of tactical missiles—a reduction of 14,000 from a 2-year request of over 53,000 missiles;
- a 9 percent cut in tactical fighter aircraft—a reduction of 73 F-15, F-16, and F-18 aircraft, from a 2-year request of 834 aircraft;
- a cut of 14 percent in funding for spare parts for aircraft—a cut of \$1.9 billion out of a total request of \$13.4 billion; and
- a cut of 17,000 in active duty military strength from levels requested in 1986 and 1987.

To meet the most critical unmet needs resulting from the 2-year decline in real defense budget authority levels, the administration proposes a 1987 supplemental appropriation of \$2.8 billion to be followed by sustained moderate real growth of about 3 percent annually. The amounts requested are those minimally necessary to maintain national security and to allow the consolidation of real gains in military strength made in this administration.

The budget resumes improvements in the capabilities of strategic and conventional forces but at a slower rate than originally planned. Because of severe fiscal constraints, the budget accepts certain risks in reducing the rate of force improvements. Procurement is being stretched out for several major ground forces systems—including the Abrams tank, the Bradley Fighting Vehicle, and the Blackhawk helicopter. Similarly, ship procurement is being delayed—in 1988 only 16 ships are funded rather than the 24 projected in last year's budget. The goal of achieving 40 Air Force tactical wings has been reduced to 37 wings.

*Increased Efficiencies.*—To maximize the benefits of defense spending, the administration is making every effort to increase the efficiency and productivity of the defense program. For example, to improve the acquisition process, the Department of Defense is carrying out key recommendations of the President's Blue Ribbon



Commission on Defense Management (i.e., the Packard Commission). The President recently appointed a new Under Secretary of Defense for Acquisition with responsibility for setting acquisition policies governing procurement, research and development, and contract administration.

The budget reflects several specific efforts to reduce costs. These include: legislation to revise thresholds for applying the Davis-Bacon and related acts (discussed in the general government section below), which cover Federal construction contracts, and the Service Contract Act, which covers Federal service contracts; and recovery of excess pension costs included in prior contracts and reducing current pension costs to reflect recent changes in the financial position of pension funds. The Department also intends to recover an equitable share of excess pension assets that become available when companies terminate their current plans and substitute annuity plans.

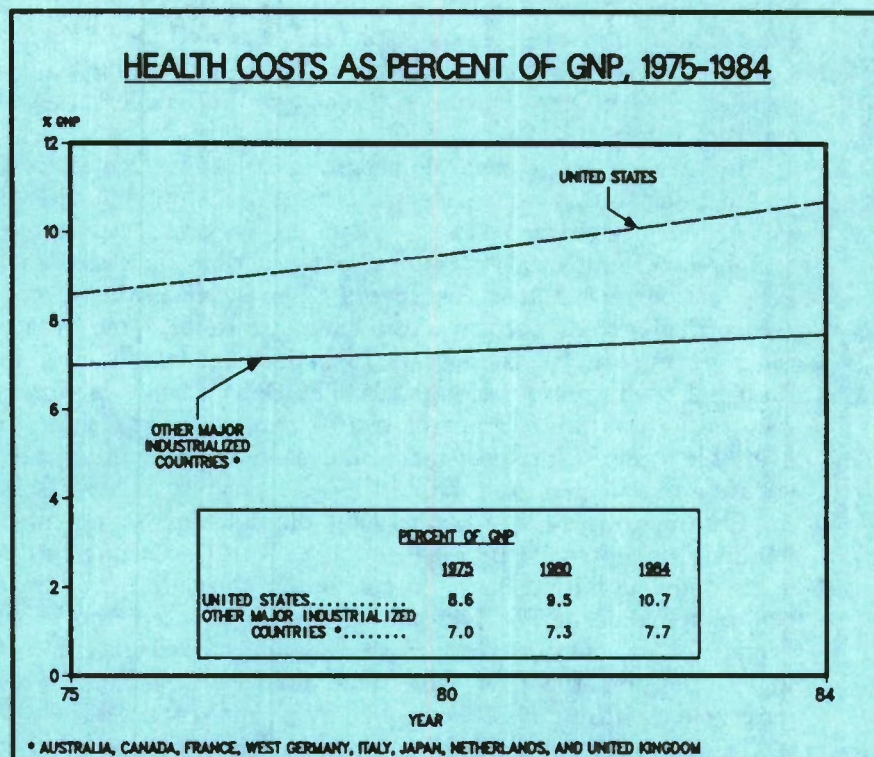
Very importantly, the Department plans to increase competition for defense contracts. In 1984 and 1985, the Department saved an estimated \$4.8 billion from competition in shipbuilding and acquisition of spare parts. Further savings are anticipated from a greater proportion of defense procurement being subject to competition, and from competition on work now done by Government civilian employees that might be performed by private contractors.

The administration is also proposing two other projects to improve conditions for service men and women and their families, as well as to reduce costs. The first is a plan to collect, on a test basis, nominal fees for outpatient medical care provided to non-active-duty patients to determine whether such fees can reduce costs and improve the quality of care in military medical facilities. The second is a test, in a limited area, of whether the private sector can manage efficiently the operations of commissaries now run by the military. Under this plan, commissary privileges would remain the same for service members. If the private sector can run the commissaries more efficiently than the military, however, then services and costs for the military members would improve, and the costs to taxpayers would decline.

Finally, in keeping with the recommendation of the President's Commission on Defense Management and as required by the 1986 Defense Authorization Act, the administration is proposing a 2-year national defense budget. Favorable response by Congress should lead to enhanced program planning and execution, and more stability at the operational level where commanders and program managers carry out mandated policy.

**Major Medical Programs.**—Since 1960, Americans' per capita spending on health care has increased rapidly—more than three times faster than the rate of inflation. Americans now spend 10.7





percent of GNP on medical care, more than any other industrialized nation. Federal health spending has also continued to grow rapidly, despite major policy reforms enacted since 1981. Federal spending for health care is growing even faster than medical spending generally and will more than double in this decade unless present trends are reversed.

Health care costs are growing far more rapidly than can be explained by inflation or by the aging of the population. In the first half of the 1980s, medicare expenditures increased an average of 9.7 percent per year *more* than general inflation. During the same period, the elderly population increased only 2.2 percent annually, and there were many medical advances that decreased (as well as increased) the cost of care.

Americans spend more per capita on health than citizens in any other industrialized nation—28 percent more than in Canada, 52 percent more than in West Germany, and 100 percent more than in Japan. Justifiably, the Nation can be proud of the quality of its health care system. Nevertheless, the other major industrialized nations have achieved a high degree of overall health care—as indicated by their citizens' having virtually the same average life expectancy.



Rising medical costs have been cited as a factor in the declining international competitiveness of many industries. During the last decade, the competitive burden of health care costs on American industry has doubled, widening the gap between the U.S. and its major trade competitors. More efficient use of health resources would not diminish the quality of health care, but, as shown by the experience of major international competitors, would free the Nation's resources for other productive efforts.

Without substantial health spending reform, America's competitive position will continue to erode. The Nation's businesses, which pay for most health care in the U.S. through payroll taxes and fringe benefits, have recognized the urgent need for reform. They have brought competitive market principles to the health care system, promoting among other reforms the wider use of health maintenance organizations (HMOs), i.e., a single institution that is responsible for all of an individual's health care. So, too, must Federal health spending be brought under control.

*Medicare.*—By far the largest Federal health program is medicare. Medicare's prospective payment system (PPS) has curbed hospital spending, which increased only 2.0 percent between 1985 and 1986 after almost doubling from 1980 to 1985. In contrast, spending on physician services grew 8.5 percent between 1985 and 1986, even though the number of beneficiaries grew only 2 percent and hospital admissions actually declined by 2 percent. And this occurred during a congressionally imposed *freeze* on physician charges!

The budget includes urgently needed medicare reforms that will restrain the rapid growth in Federal health spending and, in turn, will help improve the Nation's competitive position. The principle of capitation—paying a fixed, predetermined price for health services—would be expanded in medicare and medicaid, replacing the inflationary incentives inherent in cost reimbursement. By creating incentives for the efficient delivery of quality care, capitation and other reforms can bring to Federal programs the same efficiencies realized by employers and private insurers. This budget proposes that medicare payments to physicians whose practices are based in hospitals—radiologists, anesthesiologists, and pathologists (RAPs)—be incorporated in the set price for each procedure, providing incentives for hospitals and these physicians to provide quality care at lower costs.

The role of capitation in bringing greater efficiencies to the provision of services paid for by medicare would also be enhanced by encouraging HMOs to participate in medicare and by promoting the development of preferred provider organizations (PPOs). A private sector innovation, PPOs lower costs by contracting only with efficient providers.



Under the budget, medicare payments for hospital capital costs would become part of the hospital's fixed, predetermined price per admission (depending on the patient's diagnosis). This reform would reverse the inflationary incentives of the current system, which rewards hospitals for building excess capacity even though *one out of every three hospital beds currently is empty*. Prospective payment for capital costs would give hospitals the incentive to allocate resources efficiently and to restrain escalations in costs. However, consistent with provisions of the Omnibus Budget Reconciliation Act of 1986, capital reforms would not reduce medicare spending in 1988.

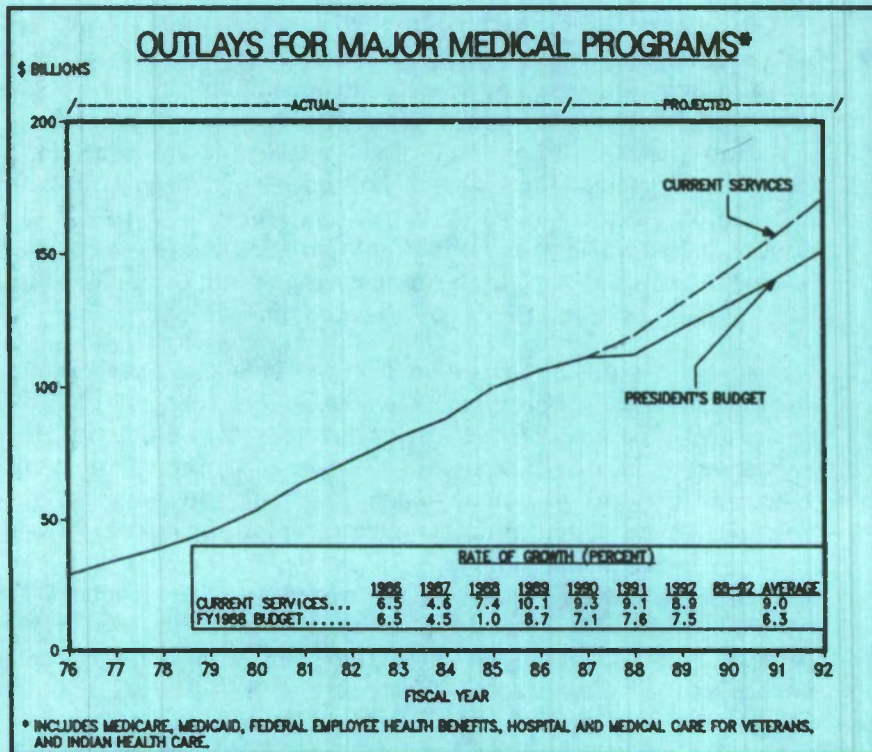
Revenue proposals would restrain spiraling health care costs by increasing medicare premiums to 35 percent of supplementary medical insurance costs for *new* enrollees and extending medicare coverage to the minority of State and local employees that are not already covered (most of whom are eligible for medicare benefits).

*Medicaid.*—The Federal Government's second largest medical program—medicaid—has grown 10 percent per year since 1980. The administration proposes an optional capitation demonstration program with fiscal incentives for States to place medicaid beneficiaries into HMOs. For the initial years of each new State-initiated capitation program, the Federal matching rate would be *increased*—as an incentive and to aid States during transition. To qualify for a demonstration, a State program would have to capitate all eligible beneficiaries in a particular geographic area—such as a county—and must have certain provisions that protect quality of care and access to care. In particular, in spite of not having a choice of reimbursement system, beneficiaries would be guaranteed freedom-of-choice of provider.

Finally, the administration repropose the institution of a reasonable limit in the growth of Federal medicaid payments to States. Federal payments would be limited to \$1 billion below projected outlays in 1988 and then be allowed to grow at the rate of the medical consumer price index.

*Federal Employees Health Benefits (FEHB).*—The FEHB program is the world's largest multiple-choice health plan. The administration proposes that the formula used to determine the Government's contribution to enrollees' health premiums be changed to a weighted average that reflects the premiums of *all* FEHB plans and the distribution of enrollees among those plans. Currently, this contribution is based on a simple average of the *high-option* coverage offered by *six* of the largest plans. The limitations of this outdated formula prevent it from reflecting the recent shift of enrollees from high-option to low-option coverage and the dramatic growth in the number of FEHB plans. The proposed formula would reflect these





and other changes in the FEHB program, providing more equitable cost sharing between the Government and its employees.

**Veterans Medical Care.**—Adequate medical care for America's disabled and needy veterans is one of the Nation's highest priorities. The administration's proposal for Veterans Administration (VA) medical care provides ample resources to meet this objective. No-cost care would be provided to all service-disabled veterans who request it, as well as to former prisoners of war and veterans exposed to certain toxic substances and radiation. No-cost care would also be provided to veterans of wars prior to World War II and those receiving VA pensions. Among other veterans, funding would be provided for no-cost care for all earning less than \$25,000 per year (for a veteran with one dependent; \$20,000 for a single veteran); funding would not be provided for the care of those whose annual incomes exceed these levels. The administration believes that as a rule when veterans' illnesses are completely unrelated to their military service and they are financially able to provide for their own health care, they should do so.

This policy will allow the VA to concentrate its efforts on service-disabled veterans and those least able to finance the cost of their own health care. It carries out the Veterans Health Care



Amendments of 1986, which established the current set of eligibility criteria for veterans' health care. The VA may, however, continue to furnish care to non-service disabled veterans with incomes above \$25,000 in locations where resources remain available.

Within the \$10 billion requested in 1988 for veterans' medical care, VA expects to fund 20.4 million outpatient visits. In addition, 1.3 million hospital in-patients will be treated by the VA, and almost 83,000 nursing home patients will be treated through VA-funded nursing home care—an increase of almost 3,000 nursing care patients over the number treated in 1987.

*Conclusion.*—As the chart on the previous page reveals, under current services major medical expenditures are projected to increase by 54 percent during the period 1988 through 1992. However, adjusting for the increase in the expected number of beneficiaries and general inflation, expenditures should have to rise by only 27 percent to maintain the same level of resources per beneficiary. Without some kind of reforms, expenditures would rise at twice the rate that would appear warranted. The proposals outlined above would *increase* real expenditures per beneficiary by 1 percent per year while lowering the overall increase during the next 5 years to 36 percent. This difference is hardly a trifle; it would save taxpayers \$7.2 billion in 1988 and \$65.8 billion during the period 1988 through 1992.

*Other Mandatory Programs.*—This category includes farm price supports, deposit insurance, Federal employee retirement, unemployment compensation, food and nutrition assistance, and other income maintenance programs, including those for veterans. The runaway growth in Government spending of the 1970s was in part a product of the unchecked expansion of outlays for these programs. Outlays for this category doubled in real terms between 1970 and 1981. With the major exception of agriculture price supports, constant-dollar outlays for this category have all but stabilized since 1981.

The administration proposes no cuts in the benefit levels for supplemental security income, veterans compensation, and food stamps. For some "other mandatory" programs, however, the administration proposes carefully targeted reforms to make the system more equitable and to reduce unnecessary costs. Farm programs must be modified to target payments better and to encourage market-oriented planting decisions. The old civil service retirement system should be put on equal standing with the newly established Federal employee retirement system. Means-tested entitlements should be reformed to focus on genuine need and on reducing administrative expenses.



*Restructure Farm Price Supports.*—The administration will propose legislation to modify farm commodity price support programs in order to solve the farm program problems once and for all.

In the past 5 years, spending on farm programs has increased by over sixfold—rising from \$4 billion in 1981 to \$25.8 billion in 1986. This \$25.8 billion would amount to an average payment of more than \$16,000 to each of the 1.6 million farm families if made directly. It would be enough to pay almost \$42,000 to each of the 619,000 commercial sized farms in the U.S. In comparison, in calendar year 1985 U.S. median family income was \$27,735. On average, each nonfarm family spent more than \$425 in 1986 to support farm prices and incomes.

Despite this enormous commitment of resources, economic conditions in agriculture are not good, in large part because of contradictory and counterproductive farm programs. This situation is untenable and must be changed.

Farm programs base certain direct payments and price support loans on the volume of crops produced, so that higher production leads to higher Federal benefits. Consequently, farmers overproduce, which causes commodity prices to decline. Because current crop programs are designed to support farm income when prices decline, this overproduction generates ever-increasing Federal support.

In addition, too much Federal money goes to a relatively small proportion of farmers—and those tend to be the owners of the largest and most efficient farms. In 1985, two-thirds of American farmers did *not* receive price supports. Of the one-third of American farmers who did receive direct assistance, one-fifth—with annual sales of over \$100,000—received almost 70 percent of the payments. Moreover, during 1986, 12 percent of those receiving subsidies for producing cotton received more than half the total payments, with some receiving millions of dollars; and during 1986, 50 of the largest rice producers received subsidies of over \$1 million each.

Finally, certain farm programs are directly counter to the Federal Government's international objectives and responsibilities. For example, the Government's support for domestic sugar producers conflicts with the policy to encourage increased trade between the United States and the Philippines and certain Caribbean countries.

The administration's proposals will address the major shortcomings of the 1985 farm bill but will retain that bill's basic price support mechanisms. Outlay savings of \$24 billion over the 1988–1992 period are projected to result from enactment of these proposals.

Specifically, the administration's proposed changes will modify farm programs to:



- remove the incentive for farmers to overproduce by decoupling program benefits from an obligation to harvest certain crops;
- limit to \$50,000 (instead of \$250,000 under current law) the amount of Federal payments each farmer may receive;
- close loopholes that make current payment limitations ineffective for a large number of farmers; and
- reduce target prices by 10 percent per year in order to reduce incentives for farmers to overproduce, and to reduce the burden on the taxpayer.

The administration will also seek changes in the counter-productive sugar program to make it more market-oriented while providing adjustment assistance to current program participants.

*Reform the Civil Service Retirement System (CSRS).*—A new Federal employee retirement system (FERS) was enacted in June 1986 for Federal employees hired on or after January 1, 1984. The FERS more closely parallels private sector practice, reducing the overly generous features still retained in the old civil service retirement system (CSRS) that covers most Federal employees. The budget proposes that retirement benefits under the existing CSRS program be brought in line with FERS by changing the way cost-of-living adjustments (COLAs) are provided to annuitants. While only 3 percent of all private pensions are fully and automatically adjusted for inflation, the existing civil service system continues to have full indexation to the Consumer Price Index (CPI). The administration's proposal generally would limit future COLAs to the percentage change in the CPI minus 1 percent. This change would be identical to the COLA that will be granted under the new FERS system for employees retiring at age 62 and beyond.

The administration is also seeking repeal of the lump sum withdrawal provisions in both CSRS and FERS, which enable employees to withdraw all their contributions toward retirement in a lump sum at retirement.

*Indexing the Veterans Compensation COLA to the CPI.*—The administration proposes to link the veterans compensation COLA to the annual change in the CPI. The Veterans Administration compensation program makes payments to 2.2 million veterans with service-connected disabilities and to 380 thousand survivors of veterans who died due to service-connected conditions. The purpose of this proposal is to ensure that these veterans and survivors receive full and timely adjustments to their benefits—and that they be protected from the possible erosion of their benefits and the uncertainties of an annually legislated COLA.



*Improve the Self-Sufficiency of AFDC Recipients.*—The administration is proposing several changes designed to prevent and reduce welfare dependency in the aid to families with dependent children (AFDC) and child support enforcement programs. Under a new AFDC work and training proposal, teenage recipients will be encouraged to remain in or return to school; older recipients will participate in a variety of employment and training activities designed to improve their employability, including job search, remedial education, training under the Job Training Partnership Act, time-limited training directed at immediate employment, and other State-designed activities approved by the Secretary of the Department of Health and Human Services. A proposal to require States to establish mandatory child support guidelines will also promote self-sufficiency and family stability. These guidelines will help ensure that single-parent families receive adequate support from parents who are absent from the home.

*Withhold Funds From States for Excessive Issuance of Food Stamp Benefits.*—Over the past decade, substantial progress has been made by States in giving the proper food stamp benefits to those who lawfully deserve them. But State laxity, resulting in the over-issuance of food stamps, remains a large problem that costs taxpayers dearly. Actual State error rates for 1983 and 1984 (8.4 percent and 8.6 percent, respectively), and the estimated error rate for 1985 (8.4 percent), are too high and show no recent improvement. In contrast, AFDC and medicaid State error rates are much lower (6.0 percent and 2.7 percent, respectively, in 1984). To date, only \$1.3 million of approximately \$100 million in outstanding State food stamp liabilities have been collected.

This budget proposes to withhold from grants to States the value of their excessive food stamp issuance. As in medicaid, at the beginning of the fiscal year Federal grants to States would be adjusted for each State's estimated erroneous payments above the national food stamp error tolerance rate of 5 percent. As States improve their benefit issuance systems and error rates fall, Federal withholdings would also fall. It is estimated the proposal would save \$264 million in 1988.

*Target School Meal Subsidies to Low-Income Students.*—The child nutrition programs give cash and commodity subsidies to institutions for meals served in schools, child care facilities, and other places. In 1987, schools and other institutions will receive \$4.5 billion in Federal subsidies for meals served to 27.6 million students. Of that amount, \$705 million will subsidize meals to 14.7 million students whose families earn more than 185 percent of the poverty level—approximately \$20,350 per year for a family of four.



The administration proposes to maintain Federal nutrition subsidies to institutions for meals served to children from families with incomes below 185 percent of the poverty level, but discontinue subsidies for students from families with incomes above that level. Under the administration's proposals, nearly 13 million needy children will receive federally subsidized meals in 1988, for total budget authority of \$4 billion. But by limiting the subsidy to those who need it most, savings of nearly \$757 million will be realized.

*Economic Subsidies and Development.*—This category covers discretionary programs for science and space, energy, natural resources and the environment, agricultural research and services, commerce and housing credit, transportation, community and regional development, and subsidies for health professions. Many programs in these areas should be and are being increased, including those that improve the safety and efficiency of the national airspace system, address the acid rain issue, and encourage investments in science and technology that over the longer run will enhance America's competitiveness. Other programs no longer warrant current levels of Federal support. Many reward inefficient private activities, and much of the State and local development funded by the Federal Government is more appropriately financed directly by these governments or by the private sector. Discussed below are the major changes for these programs proposed in this budget.

*Improve the National Airspace System.*—The Federal Aviation Administration (FAA) operates and maintains the national airspace system and provides funds to the Nation's airports to ensure the safe and efficient movement of the Nation's air traffic. For these activities, the administration proposes a 20 percent increase in budget authority—from \$4.8 billion in 1987 to \$5.8 billion in 1988. Most of this increase would be used to modernize our Nation's airspace system, for which the administration proposes a 68 percent increase in budget authority—from \$805 million in 1987 to \$1,350 million in 1988. Among other activities, these funds would be used to finance the advanced automation system, precision landing systems, improved surveillance radar and communications equipment, and weather radars designed to detect potentially deadly wind shears.

The airport improvement program is proposed to be funded at \$1,017 million in budget authority in 1988, slightly more than the \$1,000 million made available for obligation in 1987. Airports that can be self-financing would be allowed to withdraw from the Federal grant program and to assess their own local passenger facility charges, in addition to landing and other fees they currently assess. This change would give these airports more discretion in their



capital investment programs. In addition, 27 percent of the Federal grant funds would be turned over to the States to administer, thereby allowing greater State involvement in funding general aviation and small commercial service airports. Large commercial service airports that remain in the Federal program would continue to receive grants directly from the FAA. Discretionary grants would be channeled primarily into projects to increase airport capacity nationwide and to improve airport safety.

The administration also proposes a 17 percent increase for FAA operations. This would increase budget authority from \$2.8 billion appropriated in 1987 to \$3.2 billion in 1988. Among other items, this will permit increases in the controller workforce from a minimum of 15,000 to a minimum of 15,225 and increases in the safety inspection workforce from 2,020 to 2,198.

*Increase Efforts To Resolve the Acid Rain Issue.*—In March 1985, the President and the Prime Minister of Canada requested a full report by the Special Envoys on the acid rain issue. In 1986, the President and the Prime Minister endorsed the Envoys' Report.

As a first step in carrying out the Envoys' recommendations, the Department of Energy committed \$400 million that already had been appropriated to share costs with the private sector for nine clean coal technology demonstration projects at an estimated total cost of just under \$1 billion. Over the period 1981 to 1985, the administration committed over \$2 billion to clean coal technology research and development. From 1986 to 1992, the administration proposes an additional \$1 billion for clean coal research.

The administration proposes an additional \$350 million in spending over 5 years for new clean coal technology demonstration projects, with at least as much funding to be provided by industry. These additional demonstrations are in response to the recommendations in the Envoys' Report. The amounts proposed in this budget to address the acid rain issue do not include the funds being spent by non-Federal sources. States such as Ohio, Illinois, and New York are allocating approximately \$300 million, and the utility industry's Electric Power Research Institute is investing more than \$300 million over the next four years to develop clean coal technologies. Additional funds are being provided by other private sources. Together, the Federal and non-Federal investments beginning in 1986 constitute a national effort exceeding \$5 billion in research, development, and demonstration of new technologies.

The administration also will continue to press forward its research program to resolve the scientific uncertainties regarding the cause and effect of acid rain. The Government-wide acid rain research task force has received more than \$300 million through 1987. An additional \$86 million is requested in 1988, and another \$170 million is anticipated for 1989 through 1990.



Finally, the President has instructed the Administrator of the Environmental Protection Agency (EPA) to determine whether the current Clean Air Act can be used to promote the implementation of innovative ways of reducing those pollutants that are thought to cause acid rain (e.g., emissions of sulfur dioxide). The Administrator's report is scheduled to be completed early in 1987.

The United States has reduced the emission of sulfur dioxide by almost 30 percent since 1973 under the current clean air program at a cost of \$45 to \$50 billion, and further emission reductions are projected to occur through 1995 under current law.

It is critical to know with a significant degree of confidence the environmental effects of any further new emission reduction efforts, because such efforts will be extremely expensive for the American people. Estimates of the costs of programs now under consideration, using existing technology, range between \$3 billion and \$9 billion *per year* and could affect adversely up to 80,000 jobs in mining and related industries. These costs would have to be borne by Americans who use electricity and by manufacturers who use fossil fuels.

Before assuming a commitment to bear such costs, the American people should be assured that there will be sufficiently positive environmental effects, and should know, with some degree of certainty, the extent and location of those effects. To the extent possible, ways must be found to reduce the tremendous costs of such control efforts. The program funded in this budget moves toward these objectives.

*Restore America's Competitiveness.*—The ability of the Nation to meet global competition, to provide for national security, and to improve the quality of life for all citizens depends in part upon national investments in science and technology. The Nation's future position in global markets will depend upon:

- the allocation of national resources to the generation of new knowledge; and
- the effective and timely transfer of this new knowledge to specific applications.

To satisfy these needs, the administration proposes continued increases in federally supported basic research, including:

- an increase of about 18 percent in funding for basic research for the National Science Foundation and a doubling of its budget by 1992;
- an increase of about 22 percent in basic research activities of the National Aeronautics and Space Administration, including the initiation of two new science and technology programs; and



- an increase of about 15 percent for the general science programs of the Department of Energy, permitting better use of basic research facilities.

Support for basic research, particularly at universities, is a key factor in generating sufficient new knowledge to ensure continued technological innovation. The Federal Government traditionally has assumed a key role in the support of basic research, because the private sector has insufficient incentives to invest in this area. Federal support for basic scientific research is estimated to increase by 76 percent between 1982 and 1988—an average rate of growth of nearly 10 percent annually. All this is in recognition of the critical importance of basic research in universities to the welfare of U.S. citizens and our international competitiveness.

With the increased level of support of basic research proposed for 1988, interdisciplinary research will receive special emphasis. Basic research among several disciplines often leads to the creation of important new fields of science. The administration proposes to establish between 5 and 10 new interdisciplinary basic science and technology centers through the National Science Foundation, modeled after the existing engineering research centers. These new centers will focus on basic research among scientific disciplines and will attract and encourage substantial participation by industry and the States to speed the transfer of new knowledge from the laboratory to the marketplace.

A second key element in the continued leadership of the U.S. in science and industry is the future availability of high-quality scientists and engineers. Academic basic research is a primary means to help expand the U.S. pool of trained scientists and engineers; this in turn helps to ensure, over the long term, the ability of the United States to compete in global markets. The administration proposes to increase the emphasis on research programs that would contribute to the development of such "human capital." This emphasis will be reflected in the new basic science and technology centers, and in a variety of ongoing programs of the National Science Foundation (NSF), including the engineering research centers, the advanced scientific computing centers, the graduate fellowship program, and programs to improve student research and increase funds for scientific equipment at undergraduate institutions. Increased support will also be provided for other NSF programs aimed at improving the quality of pre-college science and mathematics education.

The Federal Government should also encourage the transfer to the private sector of technology and new knowledge created in Federal laboratories. New knowledge generated through research and development in Federal laboratories is of little use unless that knowledge is made available to the private sector to permit the



marketplace to make economically efficient choices. To achieve this end, there will be increased Federal efforts to transfer the results of federally supported research and development both through greater use of incentives for federally employed scientists and engineers and through the exchange of scientists and engineers between Government and industry.

Finally, the administration proposes to strengthen the Nation's "leading edge" technologies to meet other national needs. Examples include:

- initiation of a new civil space technology initiative, together with previously planned funding increases to deploy the space station, develop the national aerospace plane, and foster the commercial development of space;
- the Strategic Defense Initiative, and associated Department of Defense initiatives involving strategic computing and very high speed integrated circuits; and
- support for cooperative research and development ventures by the Department of Energy to encourage greater private sector participation in fossil, solar, and energy conservation research and development.

*Increase the Number of Subsidized Housing Units.*—Housing vouchers continue to be the cornerstone of the administration's housing policy. They are less expensive than new construction subsidies and benefit tenants by giving them more freedom of choice about where they live. For 1988, the administration is proposing to provide 102,000 additional households with subsidies—twice the level proposed in 1987. Most are vouchers: 79,000 funded through the Department of Housing and Urban Development (HUD) and 20,000 through the Farmers Home Administration (FmHA). The other 3,000 subsidized units include new construction of housing specifically for Indians and for the elderly and handicapped. With the exception of the Indian and elderly/handicapped housing units, this budget envisions no other commitments for new housing construction in FmHA or HUD.

Another 1,700 vouchers are being proposed in 1988 for those tenants currently living in HUD or FmHA projects. To prevent economic hardship or displacement resulting from higher rents that may occur when project owners prepay their mortgages, existing tenants would be provided vouchers that they could use either in the project or elsewhere.

The administration also proposes a series of reforms in the section 8 program for existing housing to increase the similarity between section 8 certificates and vouchers. Both the section 8 existing and voucher programs rely on the private market to supply rental units. However, the section 8 program is more restrictive than the voucher program since section 8 tenants must occupy only



units that rent for less than the HUD-established "fair market rent." In addition, section 8 tenants must pay 30 percent of their income for rent and therefore receive no benefit from renting a lower cost (but acceptable quality) unit. Voucher recipients have more freedom to choose the kind of housing they prefer, as well as access to more neighborhoods than households that use the current version of section 8 certificates. The 1988 budget reforms would give the section 8 program participants the same freedom of choice and access to housing as voucher recipients.

A demonstration project is also proposed to test ways of promoting more housing choices for both public housing tenants and voucher holders. Public housing tenants will be given vouchers to use for public housing or for the private rental market. Voucher holders, including individuals not currently residing in public housing, could use their vouchers to live in public housing. Public housing would thus become an integral part of the community's overall housing supply.

*Set Federal Highway Funding Equal to User Fee Receipts.*—Highway construction and repair on the 834,000-mile Federal-aid highway system is financed by Federal highway user fees in combination with State and local funds. The administration proposes to set annual Federal highway spending equal to the average annual amount of user fee receipts, excluding interest, deposited in the highway trust fund. This approach is necessary, because in recent years highway program authorizations have exceeded annual user fee collections and hence have contributed to the deficit. Consolidation of several Federal-aid programs, together with provisions to increase the flexibility States have in spending these funds, would improve the abilities of States to meet highway needs.

*Limit the Federal Role in Mass Transit Funding and Distribute Funds More Appropriately.*—The Federal Government assists States and localities with their mass transit programs through grants for capital and operating expenses. These grants are financed in part by a dedicated source of funding from a share of motor fuel tax receipts. These funds currently provide financial assistance for selected capital and planning projects, at the discretion of the Secretary of Transportation (though often directed by Congress). The return on the taxpayer's investment on many of these projects has been low. For example:

- In 1973 Detroit estimated that its automated people mover would cost \$30 million to build. It is now estimated that the people mover will cost \$210 million to build and will attract no more than 15,000 riders daily—far fewer than the 37,000 originally projected.



- In 1969 the 63rd Street tunnel on Manhattan's East Side was projected to cost \$245 million. By 1985, when further Federal financing was suspended, the cost had risen to \$800 million, with only 1,700 passengers expected to use the tunnel each day. After almost 17 years of construction, the tunnel remains unfinished.
- In Miami, a \$1 billion transit investment carries only one-tenth of the ridership originally estimated to justify the project. The bus riders of Miami have endured higher fares and reduced service because current transit funds have been diverted to the rail system.

Moreover, the administration seeks a more appropriate distribution of this dedicated source of transit funding. Currently, 83 percent of these funds benefit fewer than 20 cities. The administration is proposing that these funds, which are collected in every State, be allocated by formula to States and local agencies.

Because benefits derived from mass transit accrue primarily to localities, and because the Federal deficit is so high (among other reasons), the administration advocates increased financial participation by States and localities in federally subsidized projects. The administration's proposal would eliminate discretionary grants for new transit systems because they encourage investment in inefficient and expensive systems. The Federal role in transit would be limited to management and allocation of the dedicated penny tax for transit, with no further funding of transit from general funds (except for the Washington, D.C. system, which is separately authorized). Moreover, the proposal includes an increased local match on Federal funds from 20 percent to 50 percent.

*Terminate Costly and Unjustified Electrification and Telephone Subsidies.*—The Rural Electrification Administration (REA) program has gone far beyond its original purpose of making loans available to cooperatives to provide electricity and telephone service to rural areas. Recipients of subsidized REA loans today include electric cooperatives serving prosperous urban or suburban areas of cities such as Washington, D.C., Atlanta, Houston, Minneapolis, and Denver. Loans are also used to provide electric service to exclusive recreation communities, such as ski resorts in Vail, Aspen, and Steamboat Springs, Colorado, as well as other resorts in Myrtle Beach, Kiawah Island, and Hilton Head Island in South Carolina. In addition, REA has provided loans to telephone borrowers that are subsidiaries of large multi-million dollar holding companies with excellent credit ratings.

When the REA was established in 1935, only 12 percent of the farms in the country received electricity; today over 99 percent of farms have electric service. In 1949 the REA act was amended to bring telephone service to rural areas; today over 95 percent of



farms have telephones. The REA's original mission is complete, and reforms to the loan subsidy programs are needed.

The administration proposes to terminate the costly existing subsidized direct loan program (5 percent interest), the 100 percent REA guaranteed Federal Financing Bank (FFB) loans, and the subsidized Rural Telephone Bank lending to electric cooperatives and telephone companies. To ensure continued credit availability, most borrowers will be eligible for a new program of privately originated loans with an REA guarantee of 70 percent of the loan principal. Electric and telephone borrowers serving largely urban, suburban, or recreation areas and most telephone borrowers who are subsidiaries of larger holding companies would no longer be eligible for any REA assistance starting in 1988. Moreover, to encourage privatization, the administration is proposing that any borrower with existing REA loans outstanding have an opportunity to prepay all loans without a prepayment premium or at a discount determined by the Administrator if the borrower agrees not to seek REA assistance again.

*Fill the Strategic Petroleum Reserve at 35,000 Barrels per Day.*—The strategic petroleum reserve (SPR) is a Government stockpile of crude oil to supplement the market in the event of a severe disruption in world oil supplies. The administration is proposing to continue development and fill of the reserve at the current rate of 75,000 barrels per day during 1987, but to reduce the rate to 35,000 barrels per day in 1988. This proposal is consistent with the administration's support for development of a 750 million barrel reserve and continues to preserve the Nation's energy security.

By the end of 1987, SPR will contain 534 million barrels of crude oil. This amount is equal to over 100 days of 1986 net U.S. imports from all countries, nearly 200 days of imports from all OPEC countries, and 20 months of imports from the Persian Gulf. This level of the SPR more than meets U.S. obligations to the International Energy Agency. In view of the more than 10 million barrels per day of surplus oil production capacity in the world, the 350 million barrels of stocks under the control of other major importing nations' governments, and the stocks contained in the private sector, there is no need to fill SPR at the 75,000 barrel daily rate, at a yearly extra cost of more than \$225 million.

*Reduce or Eliminate Unnecessary Subsidies for Energy Technology.*—The Department of Energy now supports technology research and development in renewable energy, fossil energy, and energy conservation. The administration proposes a reduction of \$269 million in funding for spending in this area—a reduction of more than 40 percent from the 1987 enacted level of \$625 million. This reduction reflects the administration's belief that the proper Federal



role is to support longer term, high-risk, or generic technologies. Most of the activities proposed for elimination are near-term or are subsidies that benefit primarily one company. Other activities proposed for elimination are inordinately expensive compared to other options for achieving similar benefits, such as coal-fired magneto-hydrodynamics. The administration also proposes to use Federal research and development funding more effectively by promoting the formation of industrial cooperative research and development ventures. Such ventures provide a mechanism to spread the costs, risks, and benefits of federally supported technology research and development more broadly.

*Constrain or Eliminate Community and Economic Development Programs for State and Local Governments.*—In 1988, the administration will continue its effort to concentrate Federal resources on national priorities and provide maximum opportunities for State and local governments to meet their own local community and development needs. Shifting responsibility for economic development programs to the State and local levels brings both economic development funding and priority decisions closer to the people. To achieve this, the administration proposes to eliminate a number of Federal categorical programs currently providing support for specific local community and economic projects. The comprehensive and more flexible community development block grants (CDBG) will be the principal vehicle for continued Federal support.

The administration proposes to establish the CDBG program level at \$2.6 billion for 1987 and 1988. Although this will be a reduction in total resources, the most needy communities will continue to receive adequate resources through legislation to target resources to such areas. Many communities with the resources to meet their own needs amply without Federal assistance—such as Cherry Hill, New Jersey, and Montgomery County, Maryland—currently receive Federal aid from this program.

As part of the Government-wide effort to reduce unnecessary subsidies and excessive Federal intervention in the economic decisions of private firms and individuals, the administration is proposing termination and rescission of most of the 1987 appropriations of the urban development action grants (UDAG) program and the Economic Development Administration (EDA), and part of the 1987 appropriations of the Appalachian Regional Commission (ARC).

These grant programs siphon productive resources from private investment projects to politically designed projects that may provide local benefits, but that are less efficient for the national economy as a whole. By approving awards for hotels in resort areas such as Stowe, Vermont, and Newport, Rhode Island, or for office buildings for major banks, the UDAG program is diverting precious capital from its best possible use.



The UDAG and EDA programs warrant termination because they have become tools through which the Congress provides "pork barrel" Federal funds for favored local areas, to the detriment of the overall national economy. In 1987 alone, for example, Congress used the EDA program to target \$7.5 million for the renovation of stockyards in Fort Worth, Texas; \$1 million for the improvement of a county road in Sumter County, Alabama; and \$1 million for the renovation of a museum in Portland, Oregon.

*Phase Out EPA Sewage Treatment Grants.*—The Environmental Protection Agency's (EPA) sewage treatment grant program provides financial assistance to State and local governments for the construction of publicly owned sewage treatment systems. The administration's budget provides \$2 billion each in 1987 and 1988 and declining amounts in future years as part of a major legislative proposal to phase out the program by 1994. In addition to the \$47 billion already provided for this program between 1972 and 1985, the proposal provides \$12 billion for the period 1986 through 1993. This amount is halfway between the \$6 billion proposed in the administration's 1987 budget and the \$18 billion included in the Clean Water Act amendments of 1986, which was disapproved by the President at the close of the last Congress.

The administration's program fulfills the remaining Federal commitment made in 1972 to help local governments finance the backlog of needed improvement in their sewage treatment systems. By providing these funds through 1993, the proposal gives State and local governments a lengthy and stable period to reassume financial responsibility for this program. The Federal commitment will be limited strictly to assistance for construction of treatment facilities and related appurtenances to ensure maximum environmental benefits and cost-effectiveness from the use of these remaining funds.

*Defer Land Acquisition for Recreation and Refuge Purposes.*—The administration proposes that discretionary land acquisition for recreation and refuge purposes be deferred through 1992 except for wetlands acquired with Duck Stamp and other receipts collected under the Migratory Waterfowl Conservation Act. The Federal Government owns over 730 million acres of land—one-third of the Nation's total land area. About 410 million of these acres are in the lower 48 States and 320 million acres are in Alaska. The total comprises an area more than 25 times the size of the State of Pennsylvania; the lower 48 State total alone is more than 14 times the size of that State. Most of this acreage is available for outdoor recreation. The budget includes funds for administering the acquisitions in progress from prior year appropriations and for limited emergency acquisitions.



*Eliminate Extension Service Funds for Certain Directed Programs.*—The Extension Service, created in 1914 to provide agriculture and home economics instruction to the farm population, now provides free, non-means-tested social and economic services that would seem totally beyond the responsibility of the Federal Government. The administration proposes to reduce (but not eliminate) Federal funding for the Extension Service by terminating *categorical* grants to States that are used for such programs as urban gardening, pest management, support for rural development centers, financial management, and food and nutrition education. These activities are either not essential activities of the Federal Government or are already partially carried out under the Extension Service *formula* grant program that is fully funded in this budget. States and localities can increase their allocations within their share of the Federal formula grants, their own contributions, and/or their pool of volunteers if they wish to offset some or all of the reduction in Federal categorical grants. Outlay savings for this proposal are estimated to be \$518 million over the next 5 years.

*Terminate Small and Fragmented Conservation Assistance Programs.*—The Federal Government provides several forms of conservation cost-sharing assistance, including financial assistance for the construction of small watershed and flood prevention projects, conservation technical assistance to landowners, and soil and snow surveys. The administration is repeating its 1987 proposal to terminate immediately the outdated conservation cost-sharing and watershed financial assistance programs. However, the administration continues funding for technical assistance, soil and snow surveys, and plant materials center programs.

The existing array of small fragmented conservation assistance programs duplicates activities in the new conservation reserve program, which has the same objective. Through this program, Federal funds will subsidize the 10-year retirement of between 40 and 45 million acres of highly erodible cropland to less intensive use. The 5-year eligibility period for enrolling in this program began in 1986. The Federal Government will pay farmers a total of about \$25 billion over the 15-year life of this new program to take these lands out of production and put them in permanent cover, while saving about \$2.1 billion during the 1988-92 period by eliminating the former programs.

Finally, the small watershed program is proposed for elimination. This program provides highly localized benefits and is composed of small construction projects that landowners and local governments are able to finance without Federal assistance.

*Eliminate Subsidies for Most Health Professions.*—Twenty-five years of Federal training subsidies for health professions have



resulted in a significant expansion of the supply of physicians and other health professionals. Initiated primarily to address perceived shortages of health professionals, the broad array of federally subsidized institutional and student grant and loan programs have also helped improve the distribution of health care practitioners throughout medically underserved areas of the country. Since 1965, the number of professionals in every major health occupation has increased both in absolute number and relative to the population. For example, by 1985 there were 218 doctors for every 100,000 Americans, compared to 148 in 1965—a 48 percent increase. Because the supply of health professionals is now adequate (in fact, many disciplines are now in oversupply), direct Federal subsidies for clinical health professions training are no longer essential for most professional specialties.

With projected outlay savings of \$1,082 million between 1987 and 1992, the administration's proposal would eliminate funding for most health professions training subsidies administered by the Department of Health and Human Services. Funding for family medicine and geriatric training would continue. Federal contributions to health professions and nursing student loan funds, combined with the multi-billion dollar Department of Education and Department of Health and Human Services loan guarantee programs, have established a continuing foundation of Federal student aid for health professions training. These programs ensure access for all students who otherwise lack the resources to pursue an education in one of the health professions. In addition, the administration proposes unlimited, non-needs tested access to market rate student loans in certain guaranteed student loan programs.

*Terminate Remaining Economic Regulation of the Motor Carrier Industry and Related ICC Activities.*—Legislative changes, beginning in 1980, partially deregulated the surface transportation industry and reduced the Interstate Commerce Commission's (ICC) jurisdiction, workload, and staff. The administration proposes to terminate all remaining economic regulation of the motor carrier, freight forwarder, interstate water carrier, and bus industries. The ICC would close by October 1, 1987, with most railroad activities transferred to the Department of Transportation, except for anti-trust matters, which would be transferred to the Department of Justice. Handling of consumer complaints regarding those who move household goods would be transferred to the Federal Trade Commission. Termination of the ICC reflects the administration's commitment to deregulation of the surface transportation industry, based on its strong belief that continued economic regulation imposes greater costs than benefits to the public.



***Social Programs.***—The Federal Government supports a wide range of social programs involving education, training and employment, social services, health, and income support. This section discusses major administration initiatives that affect discretionary programs in these areas. For some programs, the administration is proposing increases, including research and education activities for acquired immune deficiency syndrome (AIDS), basic biomedical research, and demonstration projects designed to help State and local governments provide for the homeless.

***Provide Major Increases for AIDS Research and Education.***—Acquired immune deficiency syndrome (AIDS) remains the administration's highest public health priority. The administration proposes \$534 million for the Department of Health and Human Services (HHS) AIDS research and education programs in 1988—a 28 percent, or \$118 million, increase over the 1987 level and more than twice the level for 1986.

The administration also proposes to expand the discretion permitted in its AIDS programs. Broadening the authority to transfer funds would expedite mid-year funding allocations for new research and education opportunities that might emerge after submission of the budget. Permitting AIDS funds to be used over several years will reinforce efforts to develop the AIDS programs according to the best scientific judgment. These improvements will build upon administrative actions undertaken recently to improve the programs' management. In addition, the administration proposes \$98 million for use by the Veterans Administration and the Department of Defense to screen for the AIDS antibody and to counsel and provide medical care for veterans with AIDS.

***Provide Stable Support for Basic Biomedical Research.***—The administration proposes to adopt a long-term policy of stable and sustainable support for basic biomedical research by seeking obligatory authority of \$5.8 billion for the National Institutes of Health (NIH) in 1987 and 1988. The 2-year total of \$11.6 billion represents a 12 percent increase over the previous 2-year total of \$10.4 billion. These funds would permit NIH to fund about 19,100 research project grants in 1987 and 1988, compared to about 18,800 funded in 1986.

As part of the administration's efforts to ensure long-term funding stability for NIH, the administration requests that Congress appropriate the full budget authority associated with multi-year NIH research project grant commitments incurred in 1988. Replacing the current system, which funds new awards without regard to their full eventual cost, with a new policy of fully funding multi-year commitments at the time they are incurred would eliminate grantees' annual uncertainties over the level and timing of NIH



non-competing awards; allow NIH program managers to take advantage of rapidly emerging scientific opportunities; permit proper review and consideration of the total costs of funding additional project grants; and result in a more rational allocation of funds between NIH and other Federal priorities.

*Provide Assistance to the Homeless.*—The administration believes the problem of the homeless is one characterized by intense personal suffering, but one not given to easy solutions. This administration responds to the problem of homelessness in several ways, including:

- funding emergency needs for food and shelter;
- directing that more efforts be made to ensure that the homeless have access to entitlement programs, such as food stamps, supplemental security income, aid to families with dependent children, VA benefits, and social security;
- encouraging States and local governments to use Federal grant funds, such as the community development block grant (CDBG) and the social services block grant, to assist the homeless; for example, to date, more than \$100 million of CDBG funds have been used to renovate and acquire buildings for use as emergency shelters for the homeless and for related services;
- providing information and assistance to State and local governments and private providers on Federal and other resources available to help the homeless;
- redirecting surplus Federal commodities and facilities to assist local groups in providing services to the homeless; and
- conducting research and demonstration projects. (For example, the Department of Housing and Urban Development (HUD) has issued 1,000 housing vouchers for use in a national demonstration for chronically mentally ill; vouchers are provided to the homeless in conjunction with health and other services supported by the private sector.)

Thus the administration proposes to continue and expand efforts that benefit the homeless. Resources will be provided in 1987 and 1988 to establish a clearinghouse on the homeless in the Department of Health and Human Services (HHS), which heads the Inter-agency Task Force on the Homeless. The clearinghouse will serve as the Federal focal point for information and technical assistance, helping States and communities develop strategies and package resources available to help the homeless.

The budget proposes to continue the emergency funds for feeding and housing the homeless for the Federal Emergency Management Agency at \$80 million in 1988, to be distributed through a national board of major private charities.



Additional initiatives are being taken. For example, \$5 million in budget authority for the transitional housing demonstration project in HUD is requested for 1988. This program tests innovative approaches to providing shelter and supportive services for the homeless. The budget also proposes to increase funding for the community support program of State and local demonstrations sponsored by the Alcohol, Drug Abuse and Mental Health Administration in HHS. Budget authority is proposed to increase these grants from \$15 million in 1987 to \$20 million in 1988. This additional funding would be provided to complete demonstration projects targeted on mental health services for the homeless mentally ill.

*Limit the Federal Role in the Financing, Content, and Structure of Education Programs.*—Education has always been and should remain primarily a State, local, and family responsibility. Although the Federal Government plays an important role—particularly for programs for the disadvantaged the handicapped, and others in special need of additional support—the administration seeks to reduce the current size of the Federal financial involvement in education. In total, budget authority for Department of Education programs is proposed to be \$14.0 billion for 1988. Major program proposals are described below.

*Handicapped and rehabilitation.*—For these programs the budget allows for increases to offset inflation for the major State grants in 1987 and 1988. A significant increase over 1986 is provided in the preschool State grant. Reductions are requested in selected smaller programs in which the Federal investment exceeds legitimate program needs. For example, reduced funding is sought for training because available data on personnel shortages do not support current appropriation levels. The administration requests \$2.9 billion for these programs—a reduction of \$0.3 billion from the 1987 enacted level.

*Compensatory education.*—For over 20 years, the Federal Government has provided support to States and local school districts to operate compensatory (remedial) education programs for educationally disadvantaged children. About 4.8 million children receive services. The administration proposes \$4.1 billion for these compensatory education programs for 1988—a \$200 million increase over the 1987 appropriation. The budget will be accompanied by a legislative proposal to revise and strengthen these programs, which are authorized under Chapter 1 of the Education Consolidation and Improvement Act.

*Adult education.*—The administration requests \$130 million for programs funded under the Adult Education Act—the central Federal program in the fight to reduce adult illiteracy. This 20 percent



increase over the 1987 enacted level will allow State and local agencies that operate adult education programs for more than 2.3 million participants to expand program services or to enhance the quality of existing activities. The budget also provides for increased funding for adult education each year until 1992, when total funding will reach \$200 million.

*Student aid.*—Although society benefits from a better educated workforce, students are the principal beneficiaries of their investment in higher education. It is therefore reasonable to expect them—not taxpayers—to shoulder most of the costs of that investment. The Federal Government's role is to help make the investment possible, primarily by providing support for student loans. The administration accordingly proposes that guaranteed loans that have no direct costs to the Government be made available to all students without any limit other than the cost of education.

The administration recognizes the particular needs of low-income students, who may be reluctant to borrow significant amounts for school or who may have more trouble in paying off loans once they have left school. A Pell grant program for the neediest students would be maintained, with targeting improvements allowing funding reductions from \$3.8 billion in 1987 to \$2.7 billion in 1988 and \$2.0 billion in 1989 and beyond. In addition, the need-tested, income-contingent loan program, with its more manageable repayment arrangements that tie the repayment amount to the recipient's income, would be expanded substantially to assist more poor students.

*Vocational education.*—The administration proposes to eliminate all Federal support for vocational education, for which \$0.9 billion was appropriated in 1987. Federal funds are not essential to the maintenance and expansion of the vocational education system, which currently is supported with more than \$10 of State and local funds for every \$1 of Federal support. The existing Federal statutes are too prescriptive and contain too many (about 40) conditions or set-asides that affect fund distribution. Research has shown that investment in vocational education produces only small marginal benefits to participants, and these tend to disappear after several years.

*Reform Job Training Programs.*—The various programs now providing job search, job training, and cash benefits to dislocated workers, such as Title III of the Job Training Partnership Act (JTPA) and the trade adjustment assistance programs, are proposed to be replaced by an entirely new program. This new program would assist all dislocated workers without regard to whether they were unemployed because of increased imports, or because



they were permanently laid off, lost their farms, or were long-term unemployment insurance recipients. Services, which would include counseling, job search assistance, basic education, and job skill training, would be provided in a two-tiered approach, with the quick-action services provided first. States would be responsible for operating the programs, which would be linked to the unemployment insurance system, with the private industry councils set up under JTPA given local oversight responsibilities. These changes will allow States and local areas to use a variety of new approaches to encourage workers to recognize when their old jobs are gone and move more quickly on to new careers. The new program would receive \$980 million in 1988, compared to the \$344 million appropriated for job search, training, and cash assistance in 1987. It is expected that the new approach will provide readjustment services faster than is possible under current programs.

The summer youth employment program is proposed to be converted into a year-round program of remedial skill training, subsidized summer jobs, or a mixture of both, as determined by local areas, for youth in families receiving support from the aid to families with dependent children (AFDC) program. This new program is aimed at the multiple objectives of helping these at-risk youth achieve higher earnings throughout their lives, increasing the number of workers with needed skills, and reducing welfare dependency. The administration proposes to provide \$800 million, \$50 million more than the 1987 enacted appropriation for the summer youth employment program.

For the basic block grant for training and employment services under the Job Training Partnership Act, the administration is proposing \$1.8 billion—the same amount as in 1986—to assist State and local governments, in cooperation with industry, in helping some 1 million disadvantaged people prepare for a productive life.

Legislation will be proposed to decentralize authority, financing, and responsibility for administering State unemployment insurance and employment service programs to the States. Based on an extensive consultative process involving all interested groups, the legislation will answer the many questions raised by States and others over the equity of current Federal allocation of administrative resources, the adequacy of the resources provided, and lack of flexibility provided for States to use resources to meet their requirements. This decentralization will place administrative policy, financing, and decisionmaking at the same State level of government that already is responsible for unemployment insurance benefit policy, financing, and decisionmaking. The Department of Labor will retain its current responsibilities of ensuring that State programs meet the general requirements of Federal law and of financing the costs of State administration of Federal programs.



*Continue Support for Important Social Services Programs; Reduce Support for Others.*—The supplemental nutritional assistance program for women, infants, and children (WIC) will give food supplements every month to more than 3 million low-income women and young children in 1988. WIC is designed to lessen health problems associated with inadequate diets during critical—particularly prenatal—stages of child development. Federal funding for the program has expanded rapidly in recent years, more than doubling since 1980. The administration is requesting \$1.7 billion in budget authority in 1988—\$24 million above the 1987 level.

The administration proposes \$253 million for the refugee and entrant assistance program, reflecting continued declines in refugee admissions and continuing efforts to encourage refugees' early self-sufficiency. Beginning in 1988, the administration proposes to reduce subsidies to States and limit the time during which refugees may receive special Federal assistance that is not available to similarly situated U.S. citizens.

The foster care and adoption assistance programs provide payments for approximately 108,000 foster care children and 25,000 children in adoption assistance. Federal funding for these entitlement programs has grown uncontrollably since 1981, primarily as a result of rapidly rising State claims for administrative expenses rather than increased benefit payments to families. Thus, the administration proposes to limit Federal matching of State administrative and training costs for these programs to 50 percent of maintenance payments. This proposal will save an estimated \$84 million in 1988 without reducing assistance to the beneficiaries.

The low-income home energy assistance block grant helps States provide heating and cooling assistance to low-income households. The administration requests \$1.2 billion in budget authority for this program for 1988—a reduction of \$0.6 billion from 1987—in recognition of the hundreds of millions of dollars in oil overcharge settlements available to States for these purposes.

Consistent with the last five budgets, the administration again proposes no new Federal funding and no substantive reauthorization for the Legal Services Corporation. Efforts to prevent inappropriate activities by local legal aid grantees have not been fully successful, and adequate State funds are available to fund legal aid through the social services block grant, currently funded at \$2.7 billion. Responsive and accountable to local needs, States are in the best position to structure and finance legal aid programs. Furthermore, Federal supply of these services has stunted the development of low-cost legal services supplied by the private sector.

The administration proposes to begin to phase out Federal support for the community services block grant (CSBG); in 1988, the administration is requesting \$310 million in budget authority. Com-



munity action agencies—the primary recipients of these funds—derive less than 13 percent of their funding from this block grant. A phased reduction in Federal CSBG support will provide these agencies time to solicit funding from other sources. At this time of Federal budget constraints, it is hoped that contributions from non-Federal sources can maintain critical activities.

Social services for the needy will continue to be supported. Effective community action agencies can be funded through the social services block grant, Head Start, low-income energy, community development, job training, and other available funding sources that are already the main sources of funding for community action agencies.

**General Government.**—This category of discretionary programs includes many of the core functions of Government: conduct of international affairs, administration of justice, legislative and central executive functions, and fiscal operations such as tax collection.

**International Affairs.**—The President proposes to reverse the sharp decreases in funding for many international affairs programs that have taken place over the past 2 years. A 1987 supplemental appropriation of \$1.3 billion in budget authority is proposed. Budget authority for 1988 is requested at \$19.1 billion, which is \$1.0 billion above the 1987 level with the supplemental. Outlays in 1988 are estimated to be \$15.2 billion.

The increases proposed for international affairs reflect full consideration of the need for tight control of all Federal spending in order to achieve the overall Federal deficit targets established by the President and Congress. Thus, international spending will be carefully targeted. A major portion of the proposed increases is needed to make good on firm commitments of the United States to other countries and organizations, commitments that Congress has fully reviewed and affirmed. The increases also will allow vital support for the national security of the United States in a variety of ways, particularly through the provision of military and economic aid to democratic governments struggling to maintain their freedom. Further, the increases are intended to protect the lives of American citizens and officials against widespread threats by international terrorists. Finally, the United States must further strengthen its international information programs. These programs reach out to peoples throughout the world to provide them with the truth about the United States, the rest of the democratic world, and repressive, totalitarian regimes.

Nearly 60 percent of the 1987 supplemental is directed at *international security assistance* objectives. Over half of these security funds are needed to honor the obligations of the United States to



countries that provide military bases or base access for United States forces. These commitments simply cannot be ignored without impairing the Nation's security. Much of the remaining security aid will provide crucial economic assistance to four major Central American democracies. Lesser amounts are being provided to meet special needs, including support for friendly countries in southern Africa and encouragement to nations that are taking major and difficult steps to halt international narcotics trade. The various objectives of this additional security assistance have had widespread support in Congress and among the American people. It is necessary now to provide the funding to meet these objectives. The 1988 security assistance request for budget authority would continue to meet worldwide commitments, including the objectives addressed in the proposed supplemental.

For *international development and humanitarian assistance*, the supplemental proposes \$100 million in urgently needed reconstruction funds for El Salvador in the wake of that country's recent severe earthquake. The supplemental also partially would reduce large arrearages in U.S. payments to the multilateral development banks—the World Bank and the Asian, African, and Inter-American Development Banks. The arrearages have occurred because of congressional reductions to the 1986 and 1987 budget requests for U.S. contributions to these institutions. The administration has achieved significant reforms in the way that these institutions operate. Given these accomplishments, the U.S. must meet its pledges, confirmed in authorizing legislation, to provide specific annual amounts over multiyear periods. For 1988, the elimination of the remaining multilateral bank arrearages is proposed, and other development and humanitarian programs are held below 1987 levels in total.

The *conduct of foreign affairs* is inherently a Federal governmental function carried on for all Americans. If the United States is to remain a world power, it must be prepared to provide adequate levels of personnel and funding to carry out diplomacy. The budget calls for modestly increased funds for the State Department's regular operations—including enhanced reporting and analysis and improved data processing and telecommunications capability. Most of the \$0.6 billion in increased spending in this area would protect U.S. facilities and officials abroad from attack. The increase in such attacks over the past decade and the resulting loss of life demand a major upgrade for diplomatic security by the United States.

In trying to communicate more effectively with the peoples of the world—particularly those of communist countries—the United States has embarked on a major worldwide modernization and expansion of Voice of America and Radio Free Europe/Radio Liber-



ty broadcasting facilities. This is the primary reason for the budget increases requested for *foreign information and exchange activities*. The U.S. broadcasting effort is exceeded in funding by that of the Soviet Union, but it is superior in quality, primarily because it speaks the truth. To ensure that the U.S. message gets through to a growing audience, increases in radio construction and modernization programs are needed.

*Expand Government-wide Drug Enforcement and Fight Drug Abuse.*—Overall, for drug law enforcement, prevention, and treatment, budget authority has climbed from \$1.2 billion in 1981 to more than \$3.0 billion proposed in 1988.

Improvement of the Federal drug law enforcement program has been one of the administration's top domestic priorities. Since 1981, budget authority for drug law enforcement has grown by almost 200 percent, from \$0.9 billion in 1981 to a proposed level of \$2.5 billion in 1988. In 1986, in response to nationwide concern over the level of illicit drug abuse in the country, Congress passed and the President signed the Anti-Drug Abuse Act of 1986. The Act established tougher penalties for drug traffickers, and authorized large budget increases for a number of Federal agencies.

This budget proposes resource levels for 1988 necessary to continue the Federal priority given to drug enforcement. The 1988 request is \$0.5 billion lower than the enacted 1987 level of \$3.0 billion for two reasons. First, \$225 million was appropriated in 1987 for grants to assist in drug enforcement activities at the State and local level. The administration believes that this one-time infusion of funds will provide significant assistance to local drug enforcement efforts, so such grant funds will no longer be needed for 1988. Second, approximately \$350 million was appropriated for capital purchases made in 1987, which need not be repeated in 1988. Partially offsetting these decreases are about \$70 million of increases for drug enforcement operations in 1988. For example, budget authority for the Drug Enforcement Administration is proposed to increase from \$490 million in 1987 to \$522 million in 1988.

The administration also proposes to expand the drug abuse treatment, research, and prevention programs begun in the President's drug abuse initiative. The recently created Office for Substance Abuse Prevention, which coordinates the Department of Health and Human Services' prevention efforts, will increase the effectiveness of these programs; the Department will also support a second year of expanded State and local drug abuse treatment services. The budget proposes to continue substantial levels of drug abuse research funding. The administration also proposes to continue the Department of Education's 3-year program of grants to States and localities for school and community-based drug abuse programs and related national activities. Funding for the second and third years



is lower than funding for the first year, reflecting one-time, start-up costs and increased State and local participation. Finally, block grant funding for State and local government programs will be maintained at the 1987 level of \$495 million, and the Veterans Administration and Department of Defense will maintain their drug abuse treatment and prevention programs.

*Implement Immigration Reform.*—On November 6, 1986, the President signed into law a landmark revision of the Nation's immigration laws—a revision 6 years in the making. The Immigration Reform and Control Act of 1986:

- prohibits the hiring of illegal aliens;
- provides legal status to certain aliens who have been living in the country illegally;
- establishes new programs to permit the entry of aliens to harvest perishable crops; and
- provides increased staff for the Immigration and Naturalization Service (INS) for its new responsibilities under the Act.

The budget seeks \$138 million in supplemental 1987 budget authority and \$194 million in 1988 budget authority for INS to carry out this legislation. In addition, INS is expecting to obligate an additional \$149 million in 1987 and \$181 million in 1988 from fees charged to applicants in the legalization program. The actual fee charged will be established by regulation and will be sufficient to make the legalization program entirely self-financing.

*Provide Necessary Resources for Securities and Exchange Commission (SEC) and Commodity Futures Trading Commission (CFTC).*—The administration is proposing budget increases for the independent regulatory agencies responsible for ensuring that the nation's financial markets are kept efficient and that their integrity is preserved. A 30 percent increase in the SEC's budget authority for 1988 and almost a 10 percent increase in the CFTC's budget authority for 1988 will enable these agencies to address workload increases—particularly in the areas of market surveillance and enforcement. Since 1980, the annual volume of securities transactions and financings has more than doubled, as has the number of registered broker-dealers. The futures and options markets also have grown rapidly in terms of the number and types of traders, as well as contracts and financial products offered. In a joint venture with a private contractor, the administration is proposing to fund an electronic disclosure system (EDGAR) to increase the efficiency and integrity of the securities markets for the benefit of investors, corporations, and the economy. This system will accelerate dramatically the filing, processing, dissemination, and analysis of time-sensitive corporate information.



*Reform of the Davis-Bacon and Related Acts and the Service Contract Act.*—The administration is proposing legislation to increase the thresholds of coverage under the Davis-Bacon and related acts and the Service Contract Act. The Davis-Bacon Act covers wages paid to workers on Federal and federally aided construction projects. The Service Contract Act covers wages and benefits paid to workers under Federal service contracts. The threshold of coverage under the Davis-Bacon Act has not been revised since it was set at \$2,000 in 1935. Similarly, the threshold of coverage under the Service Contract Act has not been revised since it was set at \$2,500 in 1965. An increase in the thresholds of coverage under these statutes is appropriate in recognition of economic changes in the past several decades and to encourage competition and efficiency in Government procurement.

### REVENUE CHANGES

In addition to the programmatic changes discussed above, the administration proposes a number of revenue changes to:

- collect taxes owed but not paid;
- improve the allocation of Federal credit;
- sell loan assets where appropriate;
- shift to the private sector the production of certain goods and services; and
- charge reasonable user fees for Federal programs that deliver services to identifiable beneficiaries.

*Governmental Receipts.*—Thanks to the support of the American people and a bipartisan coalition in the Congress, one of the most sweeping tax bills in this Nation's history became law last year. With the enactment of the Tax Reform Act of 1986, the Nation now has the lowest marginal tax rates and the most modern tax code of any major industrialized country.

Having come this far, tax reform must not be undone with tax rate increases. The President believes firmly that certainty must be restored to the tax code and the economy, and has pledged to oppose any attempt to raise taxes. In keeping with this pledge, the receipt changes proposed in this budget are limited to initiatives to collect taxes owed but not paid, increased user charges for Federal services, and trust fund reforms. Together, these changes are estimated to increase receipts \$6.1 billion in 1988, resulting in total receipts in 1988 of \$916.6 billion. The major changes being proposed are discussed in Part 4, "Federal Receipts By Source."

*Credit Reform.*—The administration proposes to change the way Federal credit programs are treated in the budget. The proposal would charge the true economic cost of credit—the present value of the subsidy—to any agency making or guaranteeing loans. Adop-



tion of this proposal would be a significant improvement over current practice. It would:

- accurately and equitably measure the benefits of Federal credit programs;
- encourage delivery of benefits in the form most appropriate to the needs of beneficiaries;
- put the cost of credit programs on an expenditure basis equivalent to other Federal spending; and
- improve the allocation of resources among credit programs and between credit and other spending.

Under this reform, Federal agencies would obtain appropriations equal to the subsidy component of the direct loans and loan guarantees they make each year. As agencies make new direct loans or loan guarantees, they would pay the subsidy value of those loans into a newly created central revolving fund that would be established in the Department of the Treasury. The cash disbursement for direct loans would be recorded in the central fund; in this way, the subsidy value of a direct loan would be evaluated and recorded separately from its financing in the budget account of the originating agency. The subsidy value of a loan guarantee would be evaluated and recorded directly for the first time in the budget account of the originating agency. As a result of this process, loan guarantees would be put on a basis comparable to direct loans.

The central fund would oversee the sale of all direct loans for which there are no policy or programmatic constraints to asset sales, and it would oversee the private sector reinsurance of guaranteed loans insofar as it is available. The subsidy cost of direct loans sold and loan guarantees reinsured would be determined by the actual price established by the market. Other loan subsidies would be calculated according to the procedures already established.

Because of the limited availability of reinsurance for Federal loans at present, the net savings from the sale of direct loans—\$1.8 billion—would exceed the cost of reinsurance by an estimated \$1.3 billion in 1988, reducing the deficit by this amount compared to past accounting practices. As a private industry develops to reinsure these guarantees, the amount of reinsurance purchased would grow and is expected to exceed the proceeds from loan sales by 1990.

Details of this proposal and specific legislative language will be prepared and sent to the Congress at a later date.

***Other Loan Asset Sales.***—The Federal Government will continue and expand its pilot program of selling existing loan assets without recourse—a program first proposed in the 1987 budget. These sales are designed to achieve four main goals:

- reduce the Government's cost of administering credit;



- provide an incentive for agencies to improve loan origination and documentation;
- assist in determining the subsidies on Federal credit programs; and
- increase budgetary offsetting receipts in the year of sale.

The sales program includes loans with a face value of \$11.2 billion in 1988, which are estimated to produce offsetting receipts of \$5.3 billion. The loans will be sold from the portfolios of the following agencies: Farmers Home Administration, Rural Electrification Administration, Small Business Administration, Department of Housing and Urban Development, Department of Education, Veterans Administration, Export-Import Bank, Bureau of Reclamation, Department of Health and Human Services, Department of Transportation, and the Tennessee Valley Authority.

Small portfolios of terminated programs will be liquidated in their entirety in 1 to 2 years. For larger portfolios, a sustainable rate of sales is proposed throughout the 5-year budget horizon. Agencies are being encouraged to hire private sector financial consultants to assist them in evaluating and marketing their loans.

**Privatization.**—Privatization is a strategy to shift the production of goods and services from the Government to the private sector in order to reduce Government expenditures and to take advantage of the efficiencies that normally result when services are provided through the competitive marketplace. Privatization is a natural counterpart to other administration initiatives—such as federalism, deregulation, and an improved tax system—that seek to return the Federal Government to its proper role. Privatization can be an important part of efforts to build a more productive America, because the central rationale for privatizing public activities is to enhance productivity—to get greater output from fewer inputs. Building on the sale of Conrail, which was approved by the Congress last year and is expected to take place in 1987, the administration proposes in this budget a number of privatization initiatives.

The administration's privatization program rests on several basic principles. The first principle is that the Government should not compete with the private sector in supplying ordinary goods and services. The proper role of Government is to provide goods that are truly public in nature, such as national defense and law enforcement, and to provide assistance in obtaining the necessities to those who are truly in need. Candidates for privatization should include any Government operation that sells goods or services in competition with the private sector or that provides goods or services that *could* be offered by the private sector.

Once a decision is made that Government responsibility should be reduced or terminated, there are a variety of privatization meth-



ods that can be used, depending on the circumstances. For example, Government can simply sell on-going businesses and productive assets to the private sector, using a public offering, negotiated sale, or auction. Government can reduce legal barriers to competition, or otherwise scale back the operations, and thereby encourage the development of private alternatives. Even where Government needs to play a continuing role, private sector efficiencies can be obtained by contracting out for the provision of commercially produced goods and services, and by using vouchers to provide financial help for individuals unable to pay the market price for certain goods (e.g., housing, food, and education).

Major privatization initiatives in this year's budget include:

*Amtrak.*—Following on the sale of Conrail, the administration proposes that the Federal Government get out of the passenger rail business by severing its financial ties to Amtrak. The budget proposes to terminate all Amtrak subsidies and dispose of some or all of Amtrak's assets, the majority of which are in the Boston-to-Washington corridor, to one or more private sector companies, rail passenger organizations, or other entities. Such transactions will be designed to preserve viable intercity rail passenger services to the extent economically feasible. Despite providing the only intercity rail passenger service and a subsidy averaging \$27 per passenger, Amtrak carried less than 0.5 percent of all intercity travel in 1985. The disposal of Amtrak's assets will generate offsetting receipts estimated to be \$1.0 billion in 1988, which will partially repay the more than \$12 billion in Federal subsidy already paid to Amtrak.

*Naval Petroleum Reserves (NPRs).*—The administration proposes, as it did last year, that the Federal Government sell the two oil fields it operates—Elk Hills, California, and Teapot Dome, Wyoming.

Running an oil field is a business, not a Government activity. Private owners can produce and market oil more efficiently and effectively than can the Federal Government.

There is little national security reason for the Government to retain these oil fields, which were originally set aside by President Taft and President Wilson to fuel the Navy as it converted from coal to oil-fired ships. In 1975, Congress decided emergency petroleum needs could best be met by creating the strategic petroleum reserve, which, in an emergency, can pump out oil 30 times faster than can the NPRs. That same year, Congress also decided to start selling NPR oil commercially.

By selling the NPRs, the Federal Government—and taxpayers—will get a better financial return than by holding onto them. There is no reason to delay the sale to wait for oil prices to rise: the price potential buyers are willing to pay will reflect expectations about



future oil prices, and those who are willing to bet their own money are in a better position to gauge the validity of speculation that prices will begin to escalate.

Selling the NPRs is estimated to reduce the deficit by \$2.5 billion in 1988 and \$0.3 billion in 1989. In addition, if the assets are sold, they will generate hundreds of millions of dollars in tax receipts for the Treasury in future years.

*Power Marketing Administrations.*—The budget repropose divestiture of the five power marketing administrations (PMAs), which supply 6 percent of the electricity generated in the country. These are commercial activities, which in most areas of the country are performed by private and other non-Federal enterprises.

The administration continues to believe that divestiture can lead to creation of new enterprises that are more responsive to regional and customer needs, without significant increases in power rates. Consequently, legislation is being proposed with the budget to study a possible divestiture of the Southeastern Power Administration. Also, work will continue on the Alaska Power Administration divestiture. Administration activities will be coordinated with Congress and with existing power customers, and legislative authorizations will be sought when necessary. (Implementation, of course, cannot proceed until there are necessary legislative approvals.) The budget assumes that divestiture of the Southeastern and Alaska Power Administrations will be authorized and implemented at the end of 1989.

As long as the PMAs remain under Federal ownership and control, it is highly appropriate that they repay the federally financed investment on a regular, business-like basis. To assure regular repayments, the budget proposes reforms that would require the PMAs to repay the Federal investments on a fixed, straight-line amortization schedule. The proposal would not increase the PMAs' interest costs or the total Federal investment to be repaid, but merely would ensure that annual repayments occur on a predictable and stable schedule.

Debt repayment reform will result in near-term power rate increases of zero to 13.5 percent for bulk wholesale power sales. The impact on retail power rates for residential and other customers will be only zero to 5 percent. Home electric bills in the Pacific Northwest, the region most affected, will increase less than \$5 per month for all-electric homes, yet the resulting monthly bills will still be only about *half* of the national average.

On a long-term basis, however, the PMA power customers will benefit from putting the PMAs on a sound financial basis. Without reforms to require meaningful and regular repayments of principal, PMA customers will experience even larger rate increases in the longer run, resulting from higher interest costs on the growing



debt and large "balloon" principal payments that become due in future years. Bonneville Power Administration customers already are paying higher power rates partly as a result of a lack of past repayment, because their interest costs almost quadrupled over a decade (from \$89 million in 1975 to \$334 million in 1985).

*Auction of the Unassigned Spectrum.*—The administration proposes to allow the use of auctions, instead of the present practice of using hearings and lotteries, in assigning Federal Communications Commission licenses for use of the unassigned spectrum. Auction authority will not affect the terms of the licenses awarded and will not apply to licenses awarded in any medium of mass communications, or for public safety or amateur services. Only those licenses for unassigned spectrum allocated for non-mass media services are affected. Non-mass media services include 2-way common carrier paging, common carrier cellular, private multiple address, and low-power television.

Public auctions will capture the true value of the license and give taxpayers a return for the use of the spectrum, which is considered public property. Auctioning the assignments for frequencies is expected to generate \$600 million in 1988. Hundreds of licenses currently assigned through lotteries could be assigned through an auction in future years.

*Helium Operations.*—The budget proposes an increased role for industry in supplying helium to U.S. Government users. The private helium industry will provide purification and transportation services to Federal helium consumers using crude helium from the Government's existing inventory in the Cliffside field storage reservoir. Government-owned helium facilities and helium program assets other than the inventory of crude helium will be offered for sale. The Bureau of Mines will continue its helium resource assessment activity.

*Excess Real Property.*—In 1987, Federal agencies will identify more than \$800 million in excess real property for disposal. The General Services Administration will sell this property over the next 2 years; the receipts will help reduce the deficit.

*User Fees.*—Some of the services the Federal Government provides are utilized by narrowly defined groups or individuals. Agencies should recover a portion of their costs for providing these services through "user fees," in which recipients of the service are charged directly. Direct charges to users are appropriate because those who benefit from the service pay the cost; taxpayers do not. User fees increase efficiency of service delivery by reaching those willing to pay. Cost-based user fees may also provide an incentive for the private sector to provide comparable service at lower cost.



The beneficiaries of the services for which the administration is proposing new or increased fees generally consist of corporations or the relatively affluent. Charging these groups directly avoids the need to impose additional general taxes on lower- and middle-income citizens.

*Increase Fees in the Mortgage Finance Programs of the Federal Housing Administration (FHA) and the Government National Mortgage Association.*—The FHA enjoys certain governmental privileges that enable it to charge significantly lower mortgage insurance premiums than private insurers charge. This makes it difficult for private firms to compete with FHA. Preliminary estimates indicate that FHA may be charging 25 percent less for the same guarantee. The administration proposes legislation to allow FHA to increase its premium to levels on a par with those that private insurers would have to charge to provide a comparable guarantee.

In the secondary mortgage market, Federal agencies and Government-sponsored enterprises compete directly with private mortgage conduits. The President's Housing Commission in 1982 concluded that these organizations impeded the growth of private conduits and recommended that the administration seek to privatize them. The administration proposes to reduce the ability of the principal Federal agency—the Government National Mortgage Association (GNMA)—to compete with the private sector by increasing GNMA's guarantee fee to a level closer to that charged by private market entities performing similar secondary mortgage market functions.

The administration is studying ways of privatizing the Federal National Mortgage Association ("Fannie Mae") and the Federal Home Loan Mortgage Corporation ("Freddie Mac")—the major Government-sponsored enterprises involved in the secondary mortgage market. The administration also plans to propose legislation that will limit permanently the maximum amount of a mortgage these Government-sponsored enterprises can purchase. This will limit their continued encroachment on the market served by private firms for as long as these entities enjoy the advantages conferred by their association with the Federal Government.

*Increase Fee for Veterans Administration (VA) Home Loans.*—The VA home loan program provides a partial mortgage guaranty that enables eligible veterans to purchase a home without a downpayment. The administration proposes to increase the current 1 percent origination fee, which expires at the end of 1987, to 2.5 percent. The increased fee is essential to offset costs associated with high levels of future foreclosures, and would keep the fund solvent while still providing subsidized mortgages to veterans. Since 1978



the program has required \$2 billion in appropriations and internal transfers to cover costs associated with foreclosures.

*Charge for Coast Guard Services.*—The Coast Guard currently provides services such as inspections, licenses, navigation aids, and search and rescue without charge to commercial operators and recreational boaters. The administration proposes a phased implementation of fees for users of Coast Guard services, totaling \$355 million in 1988 and \$474 million a year thereafter. Fees for direct services involving a transaction (e.g., issuing licenses) would be set to recover the cost to the Coast Guard of providing the specific service. Fees for other services would be set in proportion to the Coast Guard's cost of providing the availability of the services to each class of users—recreational, commercial fishing, deep-sea commercial, and inland commercial. The cost of Coast Guard programs that benefit the general public (e.g., defense preparedness, law enforcement, and polar ice operations) would not be included in the user fees, because they are core functions of Government that should be paid for by all taxpayers.

*Increase Recreation User Fees.*—The administration again proposes, as it has in past years, the enactment of permanent authority to expand national park entrance fees. This authority will permit the Federal Government to recover from users a greater share of the costs of providing recreational opportunities where it is feasible to collect fees. Although substantially higher than existing charges, the proposed fees will continue to be modest. The maximum fee to enter a single park would be \$10 per vehicle, and would entitle all occupants to admission to the park for 1 week. Entrance fees would be priced at less than \$10 for most units. The price of the Golden Eagle Passport, which entitles all occupants of a vehicle to enter all units of the national park system for a year, would be increased to \$40. Total revenue is expected to be \$74 million in 1988, an increase of \$52 million over revenue anticipated under current law. All revenues obtained will be available for use within the national park system without further appropriation action. This authority will succeed the temporary 1-year fee program enacted in the 1987 appropriations bill.

Legislation will also be proposed to permit charges at many developed sites in the national forest system. Current law prohibits charges at many primitive and developed sites that lack certain improvements. Revenue is anticipated to increase from \$31 million in 1987 to \$52 million in 1988. The legislation would return all receipts to the national forest system for operation and maintenance of recreation programs.



*Charge User Fees for the Food Safety and Inspection Service.*—The administration repropose user fees for Federal meat and poultry inspection. Federal health and safety laws require that all slaughter and processing of meat and poultry occur under Federal inspection and supervision. The Food Safety and Inspection Service currently provides these services free of charge. Although the importance of uncontaminated meat supplies would seem to justify continuing a strong Federal role in setting standards and supervising compliance and enforcement, there is no rationale for providing these services free. Rather, they should be a normal cost of doing business for companies selling animal products for human consumption. This proposal would place the meat and poultry industry on a par with other industries that include their quality control and standardization activities in product costs.

The user fees would have a negligible impact on consumer prices and would not affect enforcement of Federal health standards. Full implementation of these charges, if completely passed on to the consumer, would result in an average price increase of less than 0.3 cents per pound of federally inspected product. The industry would still be subject to Federal requirements and Federal inspection, and individual plants would be charged a fee to recover the costs of their inspection. Collection of the fees would be separated from the provision of services to ensure the absence of industry influence in the setting or enforcement of safety standards. The savings expected from this initiative are \$361 million in 1988.

*Reform Pension Benefit Guaranties.*—Legislation will be proposed to ameliorate the extremely weak financial position of the Pension Benefit Guaranty Corporation. Despite last year's tripling of the premium rate charged to private pension plans and the repeal of provisions of law that allowed employers to dump their unfunded pension promises on the Corporation at will, the termination of underfunded pension plans in failing companies is expected to double the Corporation's deficit to \$4.5 billion in 1987. Cash payments to retired workers will exceed the Corporation's income, depleting its already inadequate reserves. The proposed legislation would permit the Corporation to charge higher premiums to those employers who do not adequately fund their pension promises. The current minimum funding requirements in law would be revised to protect both the pensions expected by workers and the Corporation.

*Revise User Fees for Guaranteed Student Loans.*—Currently the Government pays nearly all of the costs of borrower defaults in the guaranteed student loan (GSL) program. These costs have mushroomed in recent years, exceeding \$1 billion in 1985 and in 1986. GSL borrowers themselves should bear this risk; the Federal role is



properly limited to actions that ensure the continued existence of a strong student loan market.

The budget proposes new insurance fees on regular and supplemental GSLs of 9 percent and 2 percent, respectively. These one-time, up-front fees are intended to generate revenues equal to the estimated present value of the costs of defaults arising from new loans. The current 5 percent origination fee on regular GSL loans, intended to cover a portion of Federal interest subsidy costs, would be eliminated.

*Establish User Fees for the United States Travel and Tourism Administration.*—The administration proposes to fund from user fees the United States Travel and Tourism Administration's annual budget of \$12 million. Legislation will be proposed to establish an international ticket-writing charge of \$1 per ticket for international travel to and from the United States, its possessions, and its territories. The charge would be collected from airline and cruise ship carriers, which, together with their customers, are the primary beneficiaries of the program. Receipts collected in excess of the level required to support the existing program will be deposited in the Treasury.

*Increase User Fees for Commerce Products and Services.*—Beginning in 1988, the administration proposes increasing fees for specialized products and services of the Census Bureau, the National Oceanographic and Atmospheric Administration, and the International Trade Administration. Collections will be phased in, with increased receipts of \$18 million in 1988, rising to \$38 million in 1992.

*Other Revenue Changes.*—The administration proposes several revenue changes from other sources.

*Strengthen the Banking Agencies and Recapitalize the Federal Savings and Loan Insurance Corporation (FSLIC).*—The administration continues to support the plan—originally proposed by the Department of the Treasury last year and included in both House and Senate banking bills—to recapitalize the FSLIC fund. Failure to enact the recapitalization plan, combined with continued economic difficulties in the agriculture and energy sectors, poses a direct short-term budget threat. Outlays by the major deposit insurance funds are estimated to exceed previously planned levels by \$5.8 billion in 1987 (net of a change in accounting) and \$4.0 billion in 1988.

The FSLIC recapitalization plan would create a separate financing facility, which would be capitalized from earnings of the Federal Home Loan Banks (FHLBs). The financing facility would issue bonds without any Federal guarantee and use the proceeds to



purchase FSLIC stock. FSLIC would raise between \$10 billion and \$15 billion from the sale of stock over 5 years and use these resources to accelerate its efforts to close those unprofitable and insolvent thrifts that pose the most severe financial threat. The additional resources from the recapitalization plan, together with current premium income, are expected to be sufficient to enable the Federal Home Loan Bank Board to take action to close down or merge a large portion of those failing institutions.

*Share Natural Resources Receipts on a Net Basis.*—Since the early 1900s, the Federal Government has been sharing with State and local governments the gross receipts from mineral leasing and timber sales on Federal lands. These payments from Federal receipts added over \$800 million to State and local treasuries in 1986.

The administration again proposes to deduct from gross receipts the Federal cost of generating the natural resource receipts before sharing them according to current formulas with State and local governments. Current law distributes Federal “profits” that often do not exist, and creates an incentive for State and local governments to advocate unprofitable sales and uneconomic uses of Federal resources. After the proposed reform, State and local governments would still receive about \$460 million in shared Federal receipts in 1988, while the Federal Government would save over \$350 million. The Federal program of payment-in-lieu-of-taxes, funded at more than \$100 million per year, would continue to offset the impact of undeveloped Federal land on local property tax bases.

### SUMMARY OF TABLES

The first table in this section shows total outlays for the major components of the budget: social security benefits; national defense; major medical programs; other mandatory programs; programs that provide economic subsidies and development; social programs; general government programs; and net interest. The next table summarizes the deficit reduction proposals described in the sections above. For each of the major categories of programmatic changes and revenue changes, the table shows budget savings relative to a current services level. The current services level is a measure of the budget outlook assuming no changes in policy. Current services estimates are based on an assumption that existing laws and programs will simply be carried forward, adjusted only for inflation and other anticipated relatively uncontrollable changes such as increases in the number of beneficiaries.



## MAJOR COMPONENTS OF THE BUDGET

(In billions of dollars)

	1986	1987	1988	1989	1990	1991	1992
Social security benefits.....	196.5	205.5	216.9	230.0	244.4	259.1	273.2
National defense.....	273.4	282.2	297.6	312.2	330.0	349.5	370.9
Major medical programs.....	106.4	111.2	112.3	122.1	130.8	140.7	151.2
Other mandatory.....	151.9	156.3	144.5	143.4	144.8	146.8	148.3
Discretionary:							
Economic subsidies and development.....	84.5	81.3	80.9	82.2	82.3	79.8	79.9
Social programs.....	45.4	46.6	44.4	45.0	44.8	45.2	44.6
General government.....	28.7	32.1	34.1	38.3	40.2	42.6	44.5
Subtotal, discretionary.....	158.7	160.0	159.4	165.4	167.4	167.6	169.0
Net interest.....	136.0	137.5	139.0	141.5	139.0	134.8	122.1
Subtotal, gross Federal outlays.....	1,022.8	1,052.7	1,069.7	1,114.7	1,156.3	1,198.5	1,234.6
Undistributed offsetting receipts.....	-33.0	-37.1	-45.4	-45.8	-48.5	-54.0	-55.6
Total Federal outlays.....	989.8	1,015.6	1,024.3	1,069.0	1,107.8	1,144.4	1,178.9

## SUMMARY OF DEFICIT REDUCTIONS

(Change from current services, in billions of dollars)

	1987	1988	1989	1990	1991	1992
<b>Programmatic changes:</b>						
Major medical programs.....	-0.1	-6.7	-7.7	-10.0	-11.8	-13.9
Other mandatory.....	-0.1	-3.4	-8.2	-11.4	-13.1	-13.9
Nondefense discretionary:						
Economic subsidies and development..	-1.3	-4.6	-10.7	-11.9	-15.0	-16.2
Social programs.....	-0.5	-4.5	-7.5	-10.0	-11.3	-12.5
General government.....	1.1	0.5	3.2	2.5	2.1	1.5
Subtotal, nondefense discretionary..	-0.7	-8.6	-15.0	-19.3	-24.2	-27.3
Subtotal, programmatic changes....	-0.9	-18.7	-30.8	-40.8	-49.1	-55.1
<b>Revenue changes:</b>						
Governmental receipts <sup>1</sup> .....	-0.1	-6.1	-8.0	-8.6	-8.8	-8.9
Credit reform.....		-1.3	-0.6	0.9	2.2	3.6
Other loan asset sales.....		-4.2	-1.7	-0.8	-0.3	-*
Privatization.....	-0.1	-5.4	-3.7	-3.8	-6.5	-5.3
User fees.....	-0.3	-3.2	-3.5	-3.6	-3.7	-3.8
Other revenue changes.....		-2.1	-2.6	-3.6	-4.3	-6.7
Subtotal, revenue changes.....	-0.4	-22.4	-20.1	-19.5	-21.5	-21.2
Interest.....	-*	-1.3	-3.2	-6.0	-9.3	-14.3
Total deficit reductions.....	-1.3	-42.4	-54.2	-66.2	-79.9	-90.6

\* \$50 million or less.

<sup>1</sup> For additional details, see Part 4, "Federal Receipts by Source", and Special Analysis A, "Current Services Estimates."

The administration proposes to reduce the 1988 deficit by \$42.4 billion below the current services level. Nearly 56 percent of these reductions are a result of the various revenue changes discussed above, and lower interest. Only 44 percent of the reductions are a result of programmatic changes. Even after these proposed reductions, outlays for many programs will increase between 1987 and



1988. The next table provides additional detail on the dollar amounts of proposed changes in specific programs. The last table shows that of the \$42.4 billion in reductions, \$12.8 billion results from privatization and other proposed terminations.

# PROPOSED DEFICIT REDUCTIONS

(Change from current services, in billions of dollars)

	1987	1988	1989	1990	1991	1992
<b>Programmatic changes:</b>						
Major medical:						
Medicare .....		-4.6	-4.0	-5.1	-5.6	-6.3
Medicaid .....	*	-1.4	-3.0	-4.0	-5.2	-6.6
Veterans medical care .....	-0.1	-0.1	*	-0.1	-0.1	-0.1
Federal employees health benefits .....		-0.5	-0.6	-0.7	-0.8	-0.8
Other .....	*	-0.1	-0.1	-0.2	-0.2	-0.2
Subtotal, major medical .....	-0.1	-6.7	-7.7	-10.0	-11.8	-13.9
Other mandatory:						
Farm price supports .....		0.5	-3.5	-6.1	-6.9	-6.9
Federal retirement systems .....		-1.5	-1.7	-1.9	-2.1	-2.2
Child nutrition .....	-0.1	-0.8	-0.9	-1.0	-1.1	-1.1
Family support payments .....		-0.6	-0.6	-0.5	-0.6	-0.9
Food stamps .....		-0.3	-0.3	-0.2	-0.1	-0.1
Other .....	*	-0.8	-1.2	-1.8	-2.3	-2.7
Subtotal, other mandatory .....	-0.1	-3.4	-8.2	-11.4	-13.1	-13.9
Nondefense Discretionary:						
Economic subsidies and development:						
Rural Electrification Administration .....	-0.2	-1.5	-1.8	-2.1	-3.3	-3.9
Natural resources and environment .....	-0.2	-1.1	-1.6	-1.8	-2.1	-2.3
Rural housing insurance fund .....	-0.8	-0.8	-1.4	-1.5	-1.7	-1.8
Rural development insurance fund .....	*	-0.5	-1.6	-0.3	-0.3	-0.4
Subsidized housing .....		-0.3	-0.6	-1.2	-1.9	-1.9
Other .....	-0.1	-0.4	-3.6	-4.9	-5.8	-6.0
Subtotal, economic subsidies and development ..	-1.3	-4.6	-10.7	-11.9	-15.0	-16.2
Social programs:						
Student financial assistance .....	-0.2	-1.8	-3.7	-4.5	-4.9	-5.3
Other education .....	*	-1.1	-1.9	-2.5	-2.9	-3.2
Low income home energy assistance .....		-0.6	-0.7	-0.8	-0.8	-0.9
National Institutes of Health .....	-0.2	-0.5	-0.6	-0.8	-1.0	-1.1
Legal Services Corporation .....		-0.3	-0.3	-0.3	-0.3	-0.3
Other .....	-0.1	-0.3	-0.3	-1.0	-1.3	-1.6
Subtotal, social programs .....	-0.5	-4.5	-7.5	-10.0	-11.3	-12.5
General government:						
IRS enforcement .....	0.1	0.4	0.6	0.6	0.5	0.5
Department of Justice .....	0.1	0.6	0.5	0.3	0.4	0.4
Conduct of foreign affairs .....	0.2	0.4	0.4	0.5	0.6	0.5
Public Law 480 food aid .....		-0.1	-0.1	-0.1	-0.2	-0.2
Federal supply service .....		-0.2	-0.2	-0.2	-0.2	-0.2
Export-Import Bank .....		-0.4	*	0.1	0.1	0.2
Other .....	0.7	-0.2	1.9	1.3	0.9	0.2
Subtotal, general government .....	1.1	0.5	3.2	2.5	2.1	1.5
Subtotal, programmatic changes .....	-0.9	-18.7	-30.8	-40.8	-49.1	-55.1



## PROPOSED DEFICIT REDUCTIONS—Continued

(Change from current services, in billions of dollars)

	1987	1988	1989	1990	1991	1992
<b>Revenue changes:</b>						
Governmental receipts .....	-0.1	-6.1	-8.0	-8.6	-8.8	-8.9
Credit reform .....	-1.3	-0.6	0.9	2.2	3.6	
Other loan asset sales .....	-4.2	-1.7	-0.8	-0.3	-*	
<b>Privatization:</b>						
Amtrak sale and grant termination .....	-1.6	-0.6	-0.7	-0.7	-0.7	
Sale of NPRs .....	-2.5	-0.3	0.5	0.7	0.6	
Sale of PMAs .....	-1.8	-2.6	-5.4	-4.0		
Auction of the unassigned spectrum .....	-0.6					
GSA real property sales .....	-0.3	-0.4	-0.2	-0.2	-0.2	
Terminate crop insurance .....	-0.2	-0.5	-0.6	-0.7	-0.8	
Health professions training subsidies .....	-0.1	-0.2	-0.2	-0.2	-0.2	
Subtotal, privatization .....	-0.1	-5.4	-3.7	-3.8	-6.5	-5.3
<b>User fees:</b>						
Credit fees .....	-0.3	-1.6	-1.6	-1.7	-1.8	-1.9
Other user fees .....	-*	-1.7	-1.9	-1.9	-1.9	-1.9
Subtotal, user fees .....	-0.3	-3.2	-3.5	-3.6	-3.7	-3.8
<b>Other revenue changes:</b>						
FSLIC .....	-1.6	-0.8	-0.5	0.1	-0.9	
Medicare premium increase .....	-0.6	-1.8	-3.1	-4.4	-5.8	
Subtotal, other revenue changes .....	-2.1	-2.6	-3.6	-4.3	-6.7	
Subtotal, revenue changes .....	-0.4	-22.4	-20.1	-19.5	-21.5	-21.2
Interest .....	-*	-1.3	-3.2	-6.0	-9.3	-14.3
<b>Total deficit reductions .....</b>	<b>-1.3</b>	<b>-42.4</b>	<b>-54.2</b>	<b>-66.2</b>	<b>-79.9</b>	<b>-90.6</b>

\* \$50 million or less.



## PROPOSED PHASE-OUTS AND TERMINATIONS

(Outlays, in millions of dollars)

	Current services	Savings from current services		
	1987	1988	1989	1990
<b>Privatization:</b>				
Amtrak sale and grant termination .....	640	-1,617	-640	-662
Naval petroleum reserves .....	-442	-2,500	-274	518
Power marketing administrations .....	-501		-1,756	-2,631
Auction of the unassigned spectrum .....		-600		
GSA real property sales .....	-250	-305	-353	-213
Crop insurance .....	637	-178	-471	-627
Health professions training subsidies .....	232	-186	-188	-201
Subtotal, privatization .....	316	-5,386	-3,682	-3,816
<b>Economic Subsidies and Development:</b>				
Department of Agriculture:				
Rural electrification loans .....	-35	-2,162	-2,266	-2,267
Rural housing insurance fund .....	2,999	-776	-1,395	-1,530
Telephone Bank .....	-5	-344	-473	-438
Conservation programs .....	599	-276	-392	-464
Extension Service categorical grants .....	332	-69	-92	-104
Rural water and waste disposal grants .....	168	-14	-39	-70
Office of Transportation .....	2	-2	-3	-3
Marketing payments to States .....	2	-1	-1	-1
Rural development insurance fund .....	1,023	-485	-1,589	-279
Department of Commerce:				
Economic Development Administration .....	358	-60	-130	-184
Trade adjustment assistance .....	12	-3		
National undersea research program .....	11	-6	-11	-12
Coastal zone management and sea grants .....	80	-44	-68	-81
Public telecommunications facilities .....	21	-11	-6	-1
Department of Housing and Urban Development:				
Categorical housing programs .....	515	-10	-71	-311
Urban development action grants .....	440	-23	-73	-133
Rehabilitation loans .....	25	-97	-126	-84
Housing development action grants .....	157	19	-47	-106
Department of Transportation:				
Mass transit discretionary grants .....	898	-52	-219	-406
State maritime schools .....	8	-9	-9	-10
Miscellaneous highway projects .....	115	-12	-27	-39
Environmental Protection Agency:				
Sewage construction grants .....	2,610	-90	-230	-390
Asbestos-in-schools loans/grants .....	15	-39	-45	-50
Other Agencies:				
Postal subsidy .....	729	-523	-564	-582
Interstate Commerce Commission .....	46	-35	-46	-51
TVA economic development programs .....	12	-12	-13	-13
Communication technology satellite .....	75	-11	-3	
Appalachian Regional Development Commission .....	143	-9	-29	-61
Subtotal, economic subsidies and development .....	11,355	-5,156	-7,967	-7,670
<b>Social Programs:</b>				
Department of Education:				
Compensatory education (HEP & CAMP) .....	7	-6	-8	-8
Several elementary and secondary programs .....	48	-41	-53	-56
Education for the handicapped (grants for infants and families) .....	2	-38	-49	-53
Vocational education .....	941	-312	-749	-914



## PROPOSED PHASE-OUTS AND TERMINATIONS—Continued

(Outlays, in millions of dollars)

	Current services	Savings from current services		
	1987	1988	1989	1990
Immigrant and refugee education.....	22	— 23	— 44	— 48
Several higher education programs .....	124	— 80	— 94	— 96
Several student aid programs .....	1,161	— 1,239	— 1,321	— 1,367
Library grants .....	200	— 55	— 100	— 139
Other Agencies:				
Legal Services Corporation .....	303	— 276	— 323	— 333
Community services block grant .....	368	— 54	— 127	— 220
Subtotal, social programs .....	3,176	— 2,124	— 2,868	— 3,234
<b>General Government:</b>				
Justice assistance grants .....	267	— 118	— 259	— 375
<b>Total.....</b>	<b>15,114</b>	<b>— 12,784</b>	<b>— 14,776</b>	<b>— 15,095</b>



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## PART 3

# THE ECONOMIC OUTLOOK

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3-1

Pages 3-1 through 3-2 and 3a-1 through 3a-13 have been extracted and reprinted in that order within.

The entire part may be referred to on pages 3-1 through 3c-5 of "The Budget of the United States Government" (Supplement, small book).



## **THE ECONOMIC OUTLOOK AND FEDERAL INVESTMENT**

This part of the budget supplement has 3 sections. The first reviews the economic assumptions underlying the 1988 budget estimates.

3-2



## PART 3a

### THE ECONOMIC OUTLOOK

This section begins by reviewing the economic developments of 1986, explains why they differed from forecasts made a year ago, and shows the effect of this divergence on the 1986 budget deficit. This is followed by a discussion of why the expansion is expected to continue. The next subsection describes the economic assumptions and compares them with last year's. The final subsection reviews the sensitivity of the budget to changes in economic assumptions. In this section, annual statistics refer to calendar years, rather than fiscal years.

*Economic Developments in 1986.*—A year ago, there was a broad consensus among economic forecasters that the economic expansion, then beginning its fourth year, would continue. Real GNP growth was anticipated to rise to between 3 and 4 percent on a fourth-quarter to fourth-quarter basis. The administration's forecast was at the upper end of this narrow range. Little further progress was expected by most observers toward reducing inflation or lowering interest rates, although the administration assumed such progress would resume in later years.

Instead, real economic growth continued at the moderate 2½ percent rate that began in mid-1984. At the same time, inflation and interest rates were also lower than predicted. Indeed, by late 1986, interest rates had returned to their lowest levels since 1978.

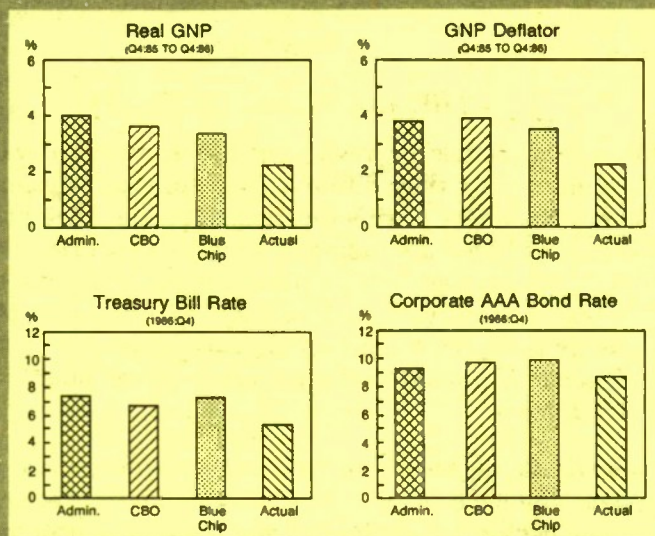
For several reasons, growth was lower than expected during 1986. First, and perhaps most important, was the decline in net exports, which, in accounting terms, cut about ¾ percentage point from real GNP growth. Had U.S. output managed to keep pace with the growth of domestic demand, it would have increased 3¼ percent instead of 2½ percent. This calculation is somewhat misleading, however, because one of the factors sustaining the healthy growth in U.S. domestic demand throughout the expansion has been strong consumer spending on goods and services (including housing) resulting from higher real disposable income and the surge in consumer real net worth.

A strong dollar contributed greatly to these developments during the early phase of the expansion. Last year, real incomes and net worth were boosted partly by the sharp fall in oil prices and the associated decline in inflation and interest rates. Lower domestic

3a-1



## Economic Forecasts for 1986



Source: OMB, Budget of the U.S. Government, FY1987, Congressional Budget Office, The Economic and Budget Outlook: Fiscal Years 1987-1991; Blue Chip Economic Indicators February 1986 (consensus of 50 private forecasts).

interest rates were made possible by the massive inflow of capital from abroad, the counterpart of the trade deficit. Reduced inflation and interest rates have contributed to stock and bond market rallies that boosted consumer wealth.

A second reason for lower growth was the negative effects of the sharp drop in oil prices on domestic oil producers, the industries that supply them, and the regions in which they are located. The refiner's acquisition cost of a barrel of crude oil averaged less than \$15 last year, compared with about \$27 in 1985. Few had anticipated such a large decline. The oil price drop led to drastic reductions in drilling activity, as well as to other investment cutbacks in energy related sectors of the economy. Although over time the effects of lower oil prices will be positive for the economy, short-run disruptions in the energy sector offset these favorable effects last year.

Lower energy prices were the principal reason for the better-than-expected inflation performance. The GNP deflator rose only 2.2 percent last year,<sup>1</sup> 1¾ percentage points below the consensus forecast, and the consumer price index (CPI) increased just 1 per-

<sup>1</sup> This is less than the 2.6 percent shown on p. 3a-6, which represents a forecast made before fourth quarter GNP data was available.



cent. The CPI includes the prices of imported consumer goods that are excluded from GNP, so it tends to rise less than the GNP deflator when import prices are falling, as they were last year due to the oil price decline. Instead of seeing the inflation rate go up slightly, as was widely expected, 1986 turned in the best inflation performance in nearly a quarter century.

A third reason for lower real growth was the weakness in real business fixed investment. A combination of events has temporarily stalled the rapid rate of capital formation maintained since the beginning of the expansion. In addition to the oil price decline, the prolonged deliberations on the tax reform legislation caused some capital spending to be postponed or cut back. Tax reform eliminated the investment tax credit, as well as some of the tax advantages for commercial real estate. The gains in economic efficiency from these changes in the law will eventually outweigh their near-term effects on investment and real GNP, but last year they had a temporarily depressing effect.

Although the economy did not perform as well as many had hoped, 1986 was nonetheless a good year. Almost 2.5 million jobs were added in 1986, bringing the total in this expansion to 12.7 million. Real per capita disposable personal income gained 2.1 percent last year, and 10.1 percent since the beginning of the expansion 4 years ago.

The combination of slow growth and low inflation contributed to the lower-than-expected interest rates. Although the deficit rose somewhat last year, the long-term budget outlook improved as actions were taken that will hold nominal spending growth to 2.6 percent in fiscal year 1987. Monetary policy attempted to follow a carefully balanced course, providing liquidity without excessive stimulation. Eventually, however, the Federal Reserve will have to rein in the growth of the monetary aggregates if the disinflationary trend is to continue. By the fourth quarter, the Treasury bill rate was just 5.3 percent,  $1\frac{1}{2}$  to 2 percentage points below the forecasts of a year earlier. The long-term corporate bond rate was 8.7 percent, the lowest rate in almost 9 years— $\frac{1}{2}$  percentage point below the administration's January forecast, and  $1\frac{1}{4}$  percentage points below the Blue Chip consensus forecast. As interest rates were falling, stock prices were rising. By year's end, the Dow-Jones Industrial average was up 27 percent.

Declining interest rates, rising equity prices, and falling oil prices helped spur consumer spending. Total personal consumption expenditures were up 4.0 percent in real terms, while expenditures on consumer durables rose even faster—7.3 percent. Consumer confidence remains high. Lower interest rates also stimulated a resurgence in the housing market. Sales of new and existing homes last year were at the highest level since 1979, as were single-family



housing starts. Multifamily starts were not as strong, especially in the last half of the year, due to the effect of changes in the new tax law.

Although the economy's performance last year differed in important respects from the forecast used to estimate the 1986 budget, this divergence accounted for only a small part of the larger-than-expected deficit. Last year's budget estimated the 1986 deficit at \$202.8 billion; the actual figure was \$220.7 billion. Of the nearly \$18 billion increase, only \$5.3 billion was due to unexpected economic developments. The failure of the economy to grow as rapidly as expected was largely offset by the favorable effects of lower-than-expected interest rates. The remaining \$12.7 billion reflects policy and technical differences unrelated to the economic assumptions. (For details of how 1986 actual receipts and outlays differed from the original budget estimates made 2 years ago, see Part 6a of this budget supplement.)

*Economic Assumptions.*—The economic and financial developments of last year—continued moderate GNP growth coupled with declining inflation and interest rates—have strengthened the foundation for noninflationary future growth. The resource constraints and capacity shortages that usually put upward pressure on prices at this stage of a business expansion are absent. The rate of capacity utilization is only 79 percent, well below the 83-85 percent rate that often in the past has been associated with an acceleration in the rate of inflation. Despite a healthy increase in the number of jobs, the civilian unemployment rate has hovered around 7 percent since mid-1984, well above the 5½ percent rate at which labor shortages might be expected to slow output growth and put upward pressure on wages and prices.

The disinflationary trend that has marked the expansion so far should resume, after an expected rebound from the oil-price-depressed 1 percent 1986 rate to the 3½ percent rate of 1983-1985. Previous postwar expansions were often cut short when mounting inflation led to a tightening of monetary policy. With disinflation continuing, there is little risk that the current recovery will be brought to an end in this manner.

*The Outlook for 1987-1988.*—The current expansion is already the second longest peacetime expansion in the postwar period, but it has proceeded in two distinct phases. The first phase was one of very rapid growth, averaging 6.8 percent a year. This was followed by a second phase of more moderate growth beginning in mid-1984. The economy is now about to enter a third phase in which growth should gather strength. Real GNP is projected to grow about 3¼ percent this year, rising to 3¾ percent in 1988.



A likely improvement in the merchandise trade balance, resulting from the 35 percent fall in the value of the dollar relative to other major currencies since February 1985, is the main factor arguing for a pickup in real GNP growth in 1987-1988. As already indicated, the deterioration in U.S. net exports has been a drag on the economy in recent years. That deterioration can be traced, in large part, to the marked dollar appreciation during the first half of the decade. Sluggish economic growth in the other industrial countries, as well as the adjustment problems of Mexico and the other LDC debtors, have also hampered American efforts to increase exports.

As the dollar rose, American industry found it increasingly difficult to match the prices of its foreign competitors, either in overseas markets or here in the United States, despite the progress that was made toward holding down U.S. production costs. Manufacturing productivity rose sharply, while wages were restrained. Yet this was not enough to offset the advantage foreign products received from the rising dollar.

During the past 2 years, however, other currencies have appreciated sharply relative to the dollar and by the end of 1986, about 70 percent of the dollar's earlier runup had been reversed. Despite this, improvement in the trade balance has been minimal to date. The lag between the changing exchange rate and its effect on trade flows has proven to be much longer than originally anticipated. Initially, following the dollar's peak in February 1985, importers were able to absorb the fall in the dollar without raising prices by reducing their profit margins, thus protecting their newly won share of the U.S. market. More recently, the falling dollar is finally having an effect on the prices of most imported commodities aside from oil. Between September 1985 and September 1986, nonoil import prices rose by 10.2 percent, with even larger increases for automobiles and transportation equipment. At the same time, U.S. export prices fell by 1.5 percent. Although the effects of this shift in relative prices have yet to be reflected in the trade data, this is likely to change in 1987. A slowdown in import growth, an increase in exports, and an improvement in real net exports should add significantly to real GNP growth.

While the turnaround in net exports is the main reason for expecting a faster rate of growth in 1987-1988, inventory accumulation should also contribute to this acceleration. Inventory stocks are generally lean. The improvement in net exports should encourage manufacturers to add to inventories as sales improve. The needed inventory build-up could add  $\frac{1}{2}$  percentage point to GNP growth during 1987.

Other factors, however, may work to constrain growth, especially in the first half of this year. Some deceleration in real consumer



## SHORT-RANGE ECONOMIC FORECAST

(Calendar years; dollar amounts in billions)

Item	Actual 1985	Forecast		
		1986 *	1987	1988
<b>Major economic indicators:</b>				
Gross national product, percent change, fourth quarter over fourth quarter:				
Current dollars.....	6.3	5.4	6.9	7.3
Constant (1982) dollars.....	2.9	2.7	3.2	3.7
GNP deflator (percent change, fourth quarter over fourth quarter).....	3.3	2.6	3.6	3.5
Consumer Price Index (percent change, fourth quarter over fourth quarter) <sup>1</sup> .....	3.3	0.9	3.8	3.6
Unemployment rate (percent, fourth quarter) <sup>2</sup> .....	6.9	6.9	6.5	6.2
<b>Annual economic assumptions:</b>				
Gross national product:				
Current dollars:				
Amount.....	3,998	4,218	4,493	4,816
Percent change, year over year.....	6.2	5.5	6.5	7.2
Constant (1982) dollars:				
Amount.....	3,585	3,681	3,794	3,928
Percent change, year over year.....	2.7	2.7	3.1	3.5
Incomes:				
Personal income.....	3,314	3,493	3,700	3,941
Wages and salaries.....	1,966	2,075	2,210	2,371
Corporate profits before tax.....	223	240	309	341
Price level:				
GNP deflator:				
Level (1982=100), annual average.....	111.5	114.6	118.4	122.6
Percent change, year over year.....	3.4	2.8	3.3	3.5
Consumer Price Index: <sup>1</sup>				
Level (1967=100), annual average.....	318.5	323.4	333.1	345.2
Percent change, year over year.....	3.5	1.6	3.0	3.6
Unemployment rates:				
Total, annual average <sup>2</sup> .....	7.1	6.9	6.7	6.3
Insured, annual average <sup>3</sup> .....	2.8	2.8	2.6	2.4
Federal pay raises, January (percent):				
Military <sup>4</sup> .....	7.0		3.0	4.0
Civilian.....	3.5		3.0	2.0
Interest rate, 91-day Treasury bills (percent) <sup>5</sup> .....	7.5	6.0	5.4	5.6
Interest rate, 10-year Treasury notes (percent).....	10.6	7.7	6.7	6.6

<sup>1</sup> CPI for urban wage earners and clerical workers. Two versions of the CPI are now published. The index shown here is that currently used, as required by law, in calculating automatic cost-of-living increases for indexed Federal programs.

<sup>2</sup> Percent of total labor force, including armed forces residing in the U.S.

<sup>3</sup> Unemployment under State regular unemployment insurance as a percentage of covered employment under the program; does not include recipients of extended benefits under the program.

<sup>4</sup> Two military pay raises occurred in calendar year 1985: 4 percent in January and 3 percent in October.

<sup>5</sup> Average rate on new issues within period, on a bank discount basis.

\* Data released after the January 5th transmittal of the budget indicate a preliminary actual for 1986 GNP of \$4,208 billion in current dollars and \$3,677 billion in constant dollars. The GNP deflator is 114.5; the CPI is unchanged. The fourth quarter unemployment rate is 6.7 percent.

spending is likely this year. The beneficial effects of lower oil prices on consumption have largely been realized, and households are likely to try to boost saving rates to more normal levels. The saving rate stood at a relatively low 2¾ percent in the final quarter of last year. Furthermore, it is likely that investment in both nonresidential structures and multifamily housing units will continue to be adversely affected by high vacancy rates and the transition to the new tax law.



## LONG-RANGE ECONOMIC ASSUMPTIONS

(Calendar years; dollar amounts in billions)

Item	Assumptions			
	1989	1990	1991	1992
<b>Major economic indicators:</b>				
Gross national product, percent change, fourth quarter over fourth quarter:				
Current dollars .....	7.2	6.8	6.3	5.4
Constant (1982) dollars .....	3.6	3.6	3.5	3.3
GNP deflator (percent change, fourth quarter over fourth quarter) .....	3.5	3.0	2.7	2.0
Consumer Price Index (percent change, fourth quarter over fourth quarter) <sup>1</sup> .....	3.5	3.0	2.6	2.0
Unemployment rate (percent, fourth quarter) <sup>2</sup> .....	5.9	5.7	5.5	5.5
<b>Annual economic assumptions:</b>				
Gross national product:				
Current dollars:				
Amount .....	5,165	5,524	5,879	6,214
Percent change, year over year .....	7.3	6.9	6.4	5.7
Constant (1982) dollars:				
Amount .....	4,071	4,218	4,367	4,514
Percent change, year over year .....	3.6	3.6	3.5	3.4
Incomes:				
Personal income .....	4,201	4,452	4,703	4,959
Wages and salaries .....	2,546	2,716	2,885	3,057
Corporate profits before tax .....	377	411	444	459
Price level:				
GNP deflator:				
Level (1982 = 100), annual average .....	126.9	131.0	134.6	137.7
Percent change, year over year .....	3.5	3.2	2.8	2.3
Consumer Price Index: <sup>1</sup>				
Level (1967 = 100), annual average .....	357.4	369.0	379.1	387.5
Percent change, year over year .....	3.6	3.2	2.8	2.2
Unemployment rates:				
Total, annual average <sup>2</sup> .....	6.0	5.8	5.6	5.5
Insured, annual average <sup>3</sup> .....	2.3	2.2	2.0	2.0
Federal pay raises, January (percent):				
Military .....	4.3	4.6	4.5	4.2
Civilian .....	3.0	3.0	3.0	3.0
Interest rate, 91-day Treasury bills (percent) <sup>4</sup> .....	5.3	4.7	4.2	3.6
Interest rate, 10-year Treasury notes (percent) .....	6.1	5.5	5.0	4.5

<sup>1</sup> CPI for urban wage earners and clerical workers. Two versions of the CPI are now published. The index shown here is that currently used, as required by law, in calculating automatic cost-of-living increases for indexed Federal programs.

<sup>2</sup> Percent of total labor force, including armed forces residing in the U.S.

<sup>3</sup> Unemployment under State regular unemployment insurance as a percentage of a percentage of covered employment under that program; does not include recipients of extended benefits under that program.

<sup>4</sup> Average rate on new issues within period, on a bank discount basis. These projections assume, by convention, that interest rates decline with the rate of inflation.

Some of the factors that seem likely to limit real GNP growth in the near term should abate later this year and in 1988. Consequently, real GNP growth is assumed to rise to 3.7 percent in 1988. Some increase in the rate of inflation is also expected as the effects of the fall in oil prices dissipate and the lower exchange rate of the dollar boosts prices of imported goods. As a consequence, inflation during 1987-1988 is forecast to rise to about 3½ percent. At this



rate, inflation would still be well under control. Long-term interest rates are forecast to decline slightly over the next 2 years.

In summary, 1987 should be a good year for the economy, with activity accelerating as the year progresses. Next year should be even better: businesses and consumers will have adjusted to the new tax system and the improvement in the trade balance should be in full swing. By late 1988, another 4½ million Americans will have found employment. The unemployment rate should be near 6 percent, its lowest level since 1979. Most importantly, inflation should remain moderate.

*The Long-Term Economic Assumptions: 1989-1992.*—The long-term economic assumptions are not intended to be forecasts. They are based on long-term trends and the implications of the administration's policy proposals.

The underlying assumption is that economic growth will gradually slow over the 1989-1992 period toward its long-run trend rate as the unemployment rate declines to 5½ percent.

Inflation is assumed to decline gradually over this period, assuming that major unexpected shocks to costs and prices are avoided. At present, the economy is operating somewhat below capacity. These projections assume that it will reach more normal operating rates only toward the end of the forecast period. The projections do not envision any point at which the economy would experience the pressures of excess demand. Thus, the growth assumed here should be consistent with a continuation of disinflation. This will require that the Federal Reserve avoid an excessive expansion in money and credit that could push the economy across its inflationary threshold.

*Policy Changes Needed to Sustain the Recovery in the Outyears.*—As growth picks up, the economic slack that has served to restrain inflation will gradually be eliminated. Saving will have to rise in order to provide the extra capacity needed to sustain economic growth once the current margin of unused capacity is eliminated. Similarly, productivity growth will need to increase to offset a slower pace of employment growth as the unemployment rate ceases to decline.

The administration's projection of sustained economic growth assumes that the policies proposed in this budget will benefit the economy in a number of ways. Federal spending restraint should free resources that could be more efficiently utilized by the private sector; particularly, cuts in Federal programs that are not essential or that are ineffective and inefficient. Should there be insufficient spending restraint, the long-run benefits of tax reform could be put in jeopardy. Eventually, either interest payments on the mounting



## COMPARISON OF FEBRUARY 1986 AND CURRENT ECONOMIC ASSUMPTIONS

(Calendar years; dollar amounts in billions)

	1986	1987	1988	1989	1990	1991
Nominal GNP:						
1986 assumptions <sup>1</sup> .....	4,288	4,645	5,011	5,377	5,727	6,056
1987 assumptions .....	4,218	4,493	4,816	5,165	5,524	5,879
Real GNP (percent change): <sup>2</sup>						
1986 assumptions .....	4.0	4.0	4.0	3.7	3.6	3.5
1987 assumptions .....	2.7	3.2	3.7	3.6	3.6	3.5
GNP deflator (percent change): <sup>2</sup>						
1986 assumptions .....	3.8	4.1	3.6	3.2	2.5	2.0
1987 assumptions .....	2.6	3.6	3.5	3.5	3.0	2.7
Interest rate on 91-day Treasury bills (percent):						
1986 assumptions .....	7.3	6.5	5.6	4.8	4.3	4.0
1987 assumptions .....	6.0	5.4	5.6	5.3	4.7	4.2
Unemployment rate (percent):						
1986 assumptions .....	6.7	6.5	6.3	6.1	5.8	5.6
1987 assumptions .....	6.9	6.7	6.3	6.0	5.8	5.6

<sup>1</sup> Adjusted for July 1986 revisions.<sup>2</sup> Fourth quarter to fourth quarter.

debt must cut severely into other Federal spending priorities, taxes must be indirectly raised by rising inflation, or tax rates must increase, any of which would destroy incentives for economic growth.

The budget and credit reforms proposed in the budget will also help improve the Government's efficiency. Tax reform will encourage the more efficient use of capital, increasing the productivity of all economic resources, including labor.

In addition to the positive steps that can be taken by the Government to enhance efficiency, it is essential to avoid the kind of policy mistakes that, in the past, have often hampered capital formation and productivity growth. Protectionist measures, designed to help special interests at the expense of the general welfare, must be resisted. The short-run help such protection might provide particular interests costs the Nation as a whole far more than it is worth. This does not apply, however, to efforts to end unfair foreign trade practices abroad that hamper American exporters.

Continued efforts to reduce the Federal regulatory burden will also help sustain the recovery. More efficient regulation can lead to increased productivity and higher levels of real income.

Finally, the durability of the economic expansion is predicated on the assumption that monetary policy will continue to provide sufficient liquidity for real growth without stimulating a resurgence of inflation. This places a large burden on the monetary authorities to maintain a careful balance between these two objectives. So far in this expansion, the Federal Reserve has managed this task successfully.



The preceding table compares the current economic assumptions with last year's, showing that projected nominal GNP has been reduced by about \$200 billion a year for 1988-1991.

**Changes in Economic Assumptions and the Budget.**—The table below shows changes since last year's budget in the budget outlook for 1987-1991 resulting from actual economic performance during calendar year 1986 and the revisions to the economic outlook for coming years. As shown in the *addendum*, which separates the budgetary effects of these two sources of change, economic performance in 1986 widened the budget deficit by \$13.4 billion for the current fiscal year, 1987, and by \$22.6 billion in 1991. On the other hand, the revisions to the economic outlook for 1987-1991 have tended to reduce the deficit by roughly similar amounts in each year. In 1991, for example, the effects of 1986 developments add \$22.6 billion to the deficit, but the effects of changes in the economic outlook almost completely offsets this, so that the 1991 deficit of \$21.3 billion is virtually identical to the deficit that would have been estimated with the February 1986 economic assumptions.

#### EFFECTS ON THE BUDGET OF CHANGES IN ECONOMIC ASSUMPTIONS SINCE LAST YEAR

(Fiscal years; in billions of dollars)

	1987	1988	1989	1990	1991
Budget totals under February 1986 economic assumptions and January 1987 policies:					
Receipts .....	865.0	941.8	997.6	1,065.4	1,131.2
Outlays .....	1,035.4	1,056.9	1,094.8	1,123.9	1,152.4
Deficit (—) .....	—170.5	—115.2	—97.3	—58.5	—21.2
Changes due to economic assumptions:					
Receipts .....	—22.6	—25.2	—21.4	—17.1	—8.0
Outlays:					
Inflation and pay raises .....	—4.4	—16.2	—17.5	—16.1	—12.1
Unemployment .....	0.8	0.2	0.0	—0.3	—0.1
Interest rates .....	—16.7	—16.9	—8.2	0.5	4.4
Interest on changes in borrowing .....	0.5	0.3	—0.1	—0.2	—0.2
Total, outlays .....	—19.8	—32.6	—25.8	—16.1	—8.0
Increase in deficit (+) .....	2.7	—7.4	—4.5	1.0	0.1
Budget totals under January 1987 economic assumptions and January 1987 policies:					
Receipts .....	842.4	916.6	976.2	1,048.3	1,123.2
Outlays .....	1,015.6	1,024.3	1,069.0	1,107.8	1,144.4
Deficit (—) .....	—173.2	—107.8	—92.8	—59.5	—21.3
<b>Addendum:</b>					
Increase in deficit (+) due to:					
Actual 1986 economic performance .....	13.4	11.9	16.8	20.8	22.6
Of which:					
Interest rates .....	(—12.6)	(—6.7)	(—3.7)	(—2.5)	(—0.9)
Other .....	(26.0)	(18.6)	(20.5)	(23.3)	(23.5)
Change in the forecast for 1987-1991 .....	—10.7	—19.3	—21.3	—19.8	—22.5



The differences between actual 1986 performance and last year's assumptions include lower oil prices, lower inflation, lower interest rates, and slower real growth. The changes in the economic outlook for 1987-1991 reflect lower real GNP growth, especially during 1987, which lowers nominal GNP, and an upward revision to the aggregate tax base—the sum of all income subject to personal income and payroll taxes.

The increase in total taxable income as a share of nominal GNP compared to what those shares were in last year's budget is due largely to the effects of the Tax Reform Act of 1986. First, wages and salaries have been raised relative to nontaxable forms of compensation. Tax reform, by lowering marginal tax rates, reduces incentives to shelter compensation in untaxed fringe benefits. Moreover, businesses have increased their efforts in recent years to control the costs of such nontaxable fringe benefits as pension contributions and health insurance. Required pension fund contributions have been growing very slowly because the stock and bond rallies have increased the value of pension fund assets.

Second, corporate pretax profits have been raised as a share of GNP to reflect the less favorable depreciation schedules of the new tax law and the tapering off of the effects of the earlier accelerated depreciation schedules. Third, dividends have been increased because the new lower marginal tax rates on dividends and the higher tax rates on capital gains suggest that shareholders will prefer that corporations distribute more of their profits rather than retain them.

*Sensitivity of the Budget to Economic Assumptions.*—Both receipts and outlays are significantly affected by changes in economic conditions. This sensitivity seriously complicates budget planning because the inevitable errors in forecasting the performance of the economy lead to errors in the budget forecast. Since the budgetary impacts of changes in economic assumptions are fairly predictable, a set of rules of thumb can be useful for analysis of the budget.

For example, a 1 percentage point higher rate of inflation per year beginning in October 1986 would raise total outlays by \$40 billion on a current services basis and receipts by \$52 billion by 1992. Outlays for indexed entitlement programs would be raised \$13 billion in that year, and those for nonindexed entitlement programs that rise automatically with the rate of inflation, such as medicare and medicaid, would be \$4 billion higher. Discretionary spending would increase by \$22 billion, assuming that appropriations were provided through the budget process to maintain real program levels. These effects assume that nominal GNP would increase 1 percentage point a year reflecting the higher rate of inflation, while real economic growth and unemployment remained unchanged.



## SENSITIVITY OF THE BUDGET TO ECONOMIC ASSUMPTIONS

(Fiscal years; in billions of dollars; current services basis)

Budget effect	1988	1989	1990	1991	1992
<b>INFLATION</b>					
Sustained 1 percentage point higher rate of inflation beginning October 1987:					
Outlays, entitlements:					
Indexed programs .....		2.3	5.6	9.2	13.0
Non-indexed programs .....	0.4	1.1	2.0	3.0	4.2
Outlays, discretionary programs:					
Defense .....	1.2	3.6	7.0	10.8	15.0
Nondefense .....	0.5	1.6	3.4	5.3	7.3
Receipts .....	6.1	16.1	27.2	39.5	52.2
<b>REAL GROWTH</b>					
Sustained 1 percentage point lower real GNP growth beginning October 1987:					
Receipts .....	-5.6	-15.3	-26.5	-39.0	-54.5
<b>INTEREST RATES (EFFECT ON NET INTEREST)</b>					
Sustained 1 percentage point increase in interest rates beginning October 1987 <sup>1</sup> .....	5.7	10.9	14.3	16.6	18.5
<b>INTEREST COST OF HIGHER FEDERAL BORROWING</b>					
Effect of \$100 billion in 1988 <sup>2</sup> .....	3.8	7.0	7.1	6.8	6.6
<b>UNEMPLOYMENT RATE</b>					
One percentage point higher beginning October 1987:					
Unemployment benefits .....	3.8	2.4	2.6	2.7	2.9
Other unemployment-sensitive outlays .....	1.8	2.0	2.0	2.0	2.0
<b>FEDERAL PAY RAISES</b>					
Outlay effect of 1 percentage point increase (January 1988):					
Military personnel .....	0.5	0.7	0.8	0.8	0.8
Civilian employees .....	0.5	0.7	0.7	0.8	0.8
Employer share, employee retirement .....	-0.2	-0.3	-0.4	-0.4	-0.4
<b>COMBINED EFFECTS</b>					
Effect of a sustained 1 percentage point higher annual rate of inflation (and interest rates) beginning October 1987:					
Change in receipts .....	6.1	16.1	27.2	39.5	52.2
Change in outlays .....	8.2	20.2	33.3	46.4	60.0
Increase in deficit (+) .....	2.1	4.1	6.2	6.9	7.8
1% higher rates during FY 1988 only, increase in deficit (+) ..	2.1	1.6	1.4	-0.5	-1.4
Effect of a sustained 1 percentage point lower annual rate of real growth, with higher unemployment, beginning October 1987:					
Change in receipts .....	-5.6	-15.3	-26.5	-39.0	-54.5
Change in outlays .....	1.0	3.8	8.4	13.1	18.3
Increase in deficit (+) .....	6.6	19.1	34.9	52.1	72.7
1% lower growth during FY 1988 only, increase in deficit (+) ..	6.6	12.2	14.0	15.2	17.1

<sup>1</sup> Omits increase in receipts due to higher Federal Reserve System deposits of earnings.<sup>2</sup> Includes subsequent interest on borrowing incurred to pay for previous costs.

Higher inflation is likely to affect other economic factors that influence the deficit, such as interest rates and Federal pay. The



direct and indirect effects of a 1 percentage point higher rate of inflation per year beginning October 1987 are shown on a current services basis in the lower part of the accompanying table. Note that the effects of the higher inflation rate on outlays and receipts are roughly offsetting and the net effect on the deficit is comparatively small.

The second set of figures shows the impact of a rate of real and nominal economic growth one percentage point lower per year than in the budget for the 1988-1992 period. By 1992, the budget deficit would be \$73 billion higher. Inflation and interest rates are assumed to be unchanged, but the unemployment rate is assumed to rise by 1 percentage point for each 2 percentage points that the level of real GNP falls below its base path. Outlay effects include the interest costs due to the increased deficit. From this analysis, it is clear that, while the budget is relatively immune to fluctuations in the inflation rate, threats to the economy's real growth potential are also serious threats to progress on the deficit.

The direct and indirect effects of 1 percentage point higher inflation and interest rates or lower real growth for one year only, beginning in October 1987, are also shown in the lower part of the table. The impacts are much smaller in these cases since the difference from the assumed inflation, interest, and real growth rates occurs in only 1 year. After 1988, the effects shown are the outyear impacts of a price level/real GNP level permanently 1 percentage point higher/lower than in the base case.

The effects of changes in economic assumptions in the opposite direction are approximately symmetric. The impact of a 1 percentage point lower inflation or higher real growth would be of about the same magnitude as shown, but of opposite sign.

These rules of thumb ignore possible changes in the assumed income share composition of GNP that would be likely to accompany any changes in real growth, inflation, or interest rates. Because different income components are subject to different taxes and tax rates, estimates of total receipts can be affected significantly by changing the income shares. These relationships are too complex, however, to reduce to simple rules of thumb.



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**PART 4**

**BUDGET BY  
AGENCY AND ACCOUNT**

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4-1

January 5, 1987

Pages 4-1 through 4-2 and 4-55 through 4-76 have been extracted and reprinted in that order within.

The entire part may be referred to on pages 4-1 through 4-205 in "The Budget of the United States Government" (small book).



## Part 4

### BUDGET BY AGENCY AND ACCOUNT

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#### EXPLANATORY NOTE

This tabulation contains information on budget authority (BA), outlays (O), and subfunctional code number(s) for each appropriation and fund account. Budget authority amounts reflect transfers of budget authority between appropriations. All budget authority items are definite appropriations except where otherwise indicated.

In accordance with section 1405 of the Department of Defense Authorization Act, 1986 (Public Law 99-145), a two-year budget for the Department of Defense and related agencies is included in the 1988 Budget. To accommodate this change, this tabulation includes a fourth column showing data for 1989 for all accounts. A footnote identifies the amounts that represent multi-year appropriations requests; the other amounts for 1989 are planning estimates.

Section 214 of the Balanced Budget and Emergency Deficit Control Act of 1985 (Public Law 99-177) requires that Federal Financing Bank (FFB) transactions on behalf of a Federal agency be treated as a means of financing such agency. The agency program accounts now include FFB transactions without separate identification.

In addition, this tabulation reflects the effects of sequestration of 1986 budgetary resources required by Public Law 99-177 without separate identification.

Congressional action in the appropriation process occasionally takes the form of a limitation on the use of a trust fund or other fund, or of an appropriation to liquidate contract authority. Amounts for such items, which do not affect budget authority, are included here in parentheses and identified in the stub column, but are not included in the totals.

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**BUDGET BY AGENCY AND ACCOUNT (in thousands of dollars)—Continued**

Account and functional code		1986 actual	1987 estimate	1988 estimate	1989 estimate
<b>Department of Defense--Military</b>					
<b>Military Personnel</b>					
<i>Federal funds</i>					
<b>General and Special Funds:</b>					
Military personnel, Army	051				
Appropriation, current	BA	21,091,888	22,976,853 ^ 187,089	23,681,200	^ 23,676,400
Outlays	O	22,344,810	22,021,811 ^ 187,089	23,582,700	^ 23,616,500
Total Military personnel, Army	BA	21,091,888	23,163,942	23,681,200	23,676,400
	O	22,344,810	22,208,900	23,582,700	23,616,500
Military personnel, Navy	051				
Appropriation, current	BA	15,875,246	17,550,397 ^ 62,953	18,259,100	^ 18,447,300
Outlays	O	16,862,010	16,523,347 ^ 62,953	18,138,100	^ 18,360,000
Total Military personnel, Navy	BA	15,875,246	17,613,350	18,259,100	18,447,300
	O	16,862,010	16,586,300	18,138,100	18,360,000
Military personnel, Marine Corps	051				
Appropriation, current	BA	4,875,484	5,407,053 ^ 39,820	5,549,000	^ 5,534,300
Outlays	O	5,143,019	5,175,080 ^ 39,820	5,478,200	^ 5,471,900
Total Military personnel, Marine Corps	BA	4,875,484	5,446,873	5,549,000	5,534,300
	O	5,143,019	5,214,900	5,478,200	5,471,900

See footnotes at end of table.



## BUDGET BY AGENCY AND ACCOUNT (in thousands of dollars)—Continued

Account and functional code		1986 actual	1987 estimate	1988 estimate	1989 estimate
<b>Department of Defense—Military—Con.</b>					
<b>Military Personnel—Con.</b>					
Military personnel, Air Force	051				
Appropriation, current .....	BA	17,728,217	19,457,758 ^ 140,273	19,908,200	^ 19,871,300
Outlays .....	O	18,788,871	18,634,027 ^ 140,273	19,800,500	^ 19,788,600
Total Military personnel, Air Force .....	BA	17,728,217	19,598,031	19,908,200	19,871,300
	O	18,788,871	18,774,300	19,800,500	19,788,600
Reserve personnel, Army	051				
Appropriation, current .....	BA	2,133,994	2,114,539 ^ 2,915	2,278,500	^ 2,363,600
Outlays .....	O	2,167,340	2,003,285 ^ 2,915	2,222,900	^ 2,304,500
Total Reserve personnel, Army .....	BA	2,133,994	2,117,454	2,278,500	2,363,600
	O	2,167,340	2,006,200	2,222,900	2,304,500
Reserve personnel, Navy	051				
Appropriation, current .....	BA	1,264,599	1,394,892 ^ 2,128	1,516,100	^ 1,571,200
Outlays .....	O	1,292,327	1,339,172 ^ 2,128	1,479,700	^ 1,539,800
Total Reserve personnel, Navy .....	BA	1,264,599	1,397,020	1,516,100	1,571,200
	O	1,292,327	1,341,300	1,479,700	1,539,800
Reserve personnel, Marine Corps	051				
Appropriation, current .....	BA	270,926	277,947 ^ 360	294,700	^ 302,600
Outlays .....	O	268,626	278,340 ^ 360	286,100	^ 297,100
Total Reserve personnel, Marine Corps .....	BA	270,926	278,307	294,700	302,600
	O	268,626	278,700	286,100	297,100
Reserve personnel, Air Force	051				
Appropriation, current .....	BA	580,507	563,899 ^ 701	614,700	^ 616,500
Outlays .....	O	578,528	547,899 ^ 701	587,000	^ 591,200
Total Reserve personnel, Air Force .....	BA	580,507	564,600	614,700	616,500
	O	578,528	548,600	587,000	591,200
National Guard personnel, Army	051				
Appropriation, current .....	BA	3,056,818	3,070,997 ^ 4,326	3,217,700	^ 3,269,100
Outlays .....	O	3,121,876	2,912,174 ^ 4,326	3,132,100	^ 3,194,400
Total National Guard personnel, Army .....	BA	3,056,818	3,075,323	3,217,700	3,269,100
	O	3,121,876	2,916,500	3,132,100	3,194,400

See footnotes at end of table.



## BUDGET BY AGENCY AND ACCOUNT (in thousands of dollars)—Continued

Account and functional code		1986 actual	1987 estimate	1988 estimate	1989 estimate
<b>Department of Defense—Military—Con.</b>					
<b>Military Personnel—Con.</b>					
National Guard personnel, Air Force	051				
Appropriation, current	BA	916,597	947,243 ^ 1,335	980,000	^ 980,000
Outlays	O	943,962	930,965 ^ 1,335	969,500	^ 971,400
Total National Guard personnel, Air Force	BA	916,597	948,578	980,000	980,000
	O	943,962	932,300	969,500	971,400
Total Federal funds Military Personnel	BA	67,794,276	74,203,478	76,299,200	76,632,300
	O	71,511,369	70,808,000	75,676,800	76,135,400
<b>Operation and Maintenance</b>					
<i>Federal funds</i>					
<b>General and Special Funds:</b>					
Operation and maintenance, Army	051				
Appropriation, current	BA	18,148,095	20,317,872 ^ 75,000 ^ 591 ^ 2,088 ^ 119,047	^ 22,120,394	^ 23,679,570
Outlays	O	18,833,665	^ 121,726 19,529,474 ^ 75,000	^ 16,577,488 4,431,012	^ 17,675,784 ^ 4,904,916
Total Operation and maintenance, Army	BA	18,148,095	20,514,598	22,120,394	23,679,570
	O	18,833,665	19,726,200	21,008,500	22,580,700
Operation and maintenance, Navy	051				
Appropriation, current	BA	23,318,595	23,150,835 ^ 120,000 ^ 833 ^ 2,517 ^ 148,880	^ 25,652,830	^ 26,526,092
Outlays	O	22,597,999	^ 152,230 21,839,970 ^ 120,000	^ 18,008,887 5,838,013	^ 18,596,317 ^ 6,499,483
Total Operation and maintenance, Navy	BA	23,318,595	23,423,065	25,652,830	26,526,092
	O	22,597,999	22,112,200	23,846,900	25,095,800
Operation and maintenance, Marine Corps	051				
Appropriation, current	BA	1,533,060	1,801,340 ^ 54 ^ 129 ^ 8,117	^ 1,918,367	^ 1,939,216
Outlays	O	1,612,171	^ 8,300 1,698,400	^ 1,341,931 505,569	^ 1,350,976 ^ 552,924
Total Operation and maintenance, Marine Corps	BA	1,533,060	1,809,640	1,918,367	1,939,216
	O	1,612,171	1,706,700	1,847,500	1,903,900

See footnotes at end of table.



## BUDGET BY AGENCY AND ACCOUNT (in thousands of dollars)—Continued

Account and functional code		1986 actual	1987 estimate	1988 estimate	1989 estimate
<b>Department of Defense—Military—Con.</b>					
<b>Operation and Maintenance—Con.</b>					
Operation and maintenance, Air Force	051				
Appropriation, current .....	BA	18,667,040	18,841,284 # 21,000 C 507 D 1,418 # 85,564	* 21,325,282	* 22,208,044
Reappropriation .....	BA		7,000		
Outlays .....	O	18,646,465	C 87,489 18,534,511 # 21,000	* 16,010,273 4,301,227	* 16,612,370 # 4,878,130
Total Operation and maintenance, Air Force .....	BA	18,667,040	18,956,773	21,325,282	22,208,044
	O	18,646,465	18,643,000	20,311,500	21,490,500
Operation and maintenance, Defense agencies	051				
Appropriation, current .....	BA	7,260,628	8,082,773 # 357,000 C 114 D 2,193 # 102,453	* 7,602,907	* 7,800,619
Outlays .....	O	7,601,984	C 104,760 7,910,540 # 357,000	* 6,503,090 1,049,610	* 6,655,138 # 1,025,262
Total Operation and maintenance, Defense agencies .....	BA	7,260,628	8,544,533	7,602,907	7,800,619
	O	7,601,984	8,372,300	7,552,700	7,680,400
Operation and maintenance, Army Reserve	051				
Appropriation, current .....	BA	741,875	775,154 # 15,000 C 32 D 77 # 4,858	* 879,103	* 958,229
Outlays .....	O	715,044	C 4,967 707,533 # 15,000	* 659,716 171,784	* 716,715 # 194,785
Total Operation and maintenance, Army Reserve .....	BA	741,875	795,121	879,103	958,229
	O	715,044	727,500	831,500	911,500
Operation and maintenance, Navy Reserve	051				
Appropriation, current .....	BA	851,097	885,426 # 5,000 C 5 D 24 # 1,306	* 957,115	* 1,036,814
Outlays .....	O	738,447	C 1,335 809,565 # 5,000	* 572,901 306,099	* 617,911 # 336,989
Total Operation and maintenance, Navy Reserve .....	BA	851,097	891,761	957,115	1,036,814
	O	738,447	815,900	879,000	954,900

See footnotes at end of table.



## BUDGET BY AGENCY AND ACCOUNT (in thousands of dollars)—Continued

Account and functional code	1986 actual	1987 estimate	1988 estimate	1989 estimate
<b>Department of Defense—Military—Con.</b>				
<b>Operation and Maintenance—Con.</b>				
Operation and maintenance, Marine Corps Reserve 051				
Appropriation, current ..... BA	54,399	64,029 <sup>D 3</sup> M 135	K 71,361	N 85,160
Outlays ..... O	53,012	D 138 59,262	K 49,334 17,766	N 58,619 20,081
Total Operation and maintenance, Marine Corps Reserve ..... BA	54,399	64,167	71,361	85,160
O	53,012	59,400	67,100	78,700
Operation and maintenance, Air Force Reserve 051				
Appropriation, current ..... BA	858,495	919,715 <sup>C 124</sup> D 157 M 12,471	K 1,018,257	N 1,070,395
Outlays ..... O	910,291	C 12,752 885,848	K 860,209 132,991	N 902,091 144,009
Total Operation and maintenance, Air Force Reserve ..... BA	858,495	932,467	1,018,257	1,070,395
O	910,291	898,600	993,200	1,046,100
Operation and maintenance, Army National Guard 051				
Appropriation, current ..... BA	1,573,137	1,746,307 <sup>B 10,000</sup> C 151 D 134 M 12,666	K 1,862,152	N 2,055,011
Outlays ..... O	1,490,552	C 12,951 1,653,449 B 10,000	K 1,447,140 336,960	N 1,591,325 366,075
Total Operation and maintenance, Army National Guard ..... BA	1,573,137	1,769,258	1,862,152	2,055,011
O	1,490,552	1,676,400	1,784,100	1,957,400
Operation and maintenance, Air National Guard 051				
Appropriation, current ..... BA	1,723,898	1,767,431 <sup>C 308</sup> D 310 M 27,479	K 1,972,992	N 2,030,888
Outlays ..... O	1,743,331	C 28,097 1,718,203	K 1,633,500 286,200	N 1,676,343 319,357
Total Operation and maintenance, Air National Guard ..... BA	1,723,898	1,795,528	1,972,992	2,030,888
O	1,743,331	1,746,300	1,919,700	1,995,700

See footnotes at end of table.



## BUDGET BY AGENCY AND ACCOUNT (in thousands of dollars)—Continued

Account and functional code		1986 actual	1987 estimate	1988 estimate	1989 estimate
<b>Department of Defense—Military—Con.</b>					
<b>Operation and Maintenance—Con.</b>					
National Board for the Promotion of Rifle Practice, Army					
051					
Appropriation, current .....	BA	875	4,325 "7	* 4,099	" 4,285
Outlays.....	O	667	* 7 3,093	* 2,673 1,227	" 2,795 " 1,405
Total National Board for the Promotion of Rifle Practice, Army .....	BA	875	4,332	4,099	4,285
	O	667	3,100	3,900	4,200
Claims, Defense					
051					
Appropriation, current .....	BA	143,300	144,400	* 273,574	" 211,152
Outlays.....	O	142,187	144,100	* 257,160 7,240	" 198,483 " 14,417
Total Claims, Defense .....	BA	143,300	144,400	273,574	211,152
	O	142,187	144,100	264,400	212,900
Court of Military Appeals, Defense					
051					
Appropriation, current .....	BA	3,043	3,200 "1	* 3,461	" 3,522
Outlays.....	O	2,613	* 36 " 37 3,163	* 2,993 407	" 3,048 " 452
Total Court of Military Appeals, Defense .....	BA	3,043	3,237	3,461	3,522
	O	2,613	3,200	3,400	3,500
Summer olympics					
051					
Outlays.....	O	359			
Tenth International Pan American games					
051					
Appropriation, current .....	BA	9,510	15,000		
Outlays.....	O	32	11,600	11,600	" 300
Environmental restoration, Defense					
051					
Appropriation, current .....	BA	1,318		402,800	" 436,100
Outlays.....	O	170,642	63,000	40,000	" 293,900
Humanitarian assistance					
051					
Appropriation, current .....	BA		10,000		
Outlays.....	O		5,000	3,000	" 1,500
Total Federal funds Operation and Maintenance .....	BA	74,888,365	79,673,880	86,064,694	90,045,097
	O	75,259,461	76,714,500	81,368,000	86,211,900
<b>Procurement</b>					
<i>Federal funds</i>					
<b>General and Special Funds:</b>					
Aircraft procurement, Army					
051					
Appropriation, current .....	BA	3,341,814	2,754,850	* 2,473,959	" 2,229,539
Outlays.....	O	2,986,797	3,107,200	* 389,396 2,461,604	" 350,411 " 2,214,389
Total Aircraft procurement, Army .....	BA	3,341,814	2,754,850	2,473,959	2,229,539
	O	2,986,797	3,107,200	2,851,000	2,564,800

See footnotes at end of table.



## BUDGET BY AGENCY AND ACCOUNT (in thousands of dollars)—Continued

Account and functional code		1986 actual	1987 estimate	1988 estimate	1989 estimate
<b>Department of Defense—Military—Con.</b>					
<b>Procurement—Con.</b>					
Missile procurement, Army	051				
Appropriation, current	BA			<sup>K</sup> 2,458,466	<sup>N</sup> 2,923,200
		2,762,020	2,193,800		
Outlays	O	2,477,668	2,837,700	<sup>K</sup> 218,424	<sup>N</sup> 265,455
				2,429,276	<sup>N</sup> 2,161,645
Total Missile procurement, Army	BA	2,762,020	2,193,800	2,458,466	2,923,200
	O	2,477,668	2,837,700	2,647,700	2,427,100
Procurement of weapons and tracked combat vehicles, Army	051				
Appropriation, current	BA	4,393,045	3,744,900	<sup>K</sup> 3,152,537	<sup>N</sup> 3,227,762
			<sup>N</sup> — 15,000		
Outlays	O	3,647,877	3,656,675	<sup>K</sup> — 37,238	<sup>N</sup> — 32,619
			<sup>N</sup> — 1,575	3,679,123	<sup>N</sup> 3,332,759
				<sup>N</sup> — 5,385	<sup>N</sup> — 4,740
Total Procurement of weapons and tracked combat vehicles, Army	BA	4,393,045	3,729,900	3,152,537	3,227,762
	O	3,647,877	3,655,100	3,586,500	3,295,400
Procurement of ammunition, Army	051				
Appropriation, current	BA	2,374,837	2,087,150	<sup>K</sup> 2,194,275	<sup>N</sup> 2,194,755
			<sup>N</sup> 40,000		
Outlays	O	1,932,674	1,966,420	<sup>K</sup> 706,638	<sup>N</sup> 705,846
			<sup>N</sup> 3,180	1,315,414	<sup>N</sup> 1,362,578
				<sup>N</sup> 11,048	<sup>N</sup> 7,276
Total Procurement of ammunition, Army	BA	2,374,837	2,127,150	2,194,275	2,194,755
	O	1,932,674	1,969,600	2,033,100	2,075,700
Other procurement, Army	051				
Appropriation, current	BA	5,015,001	5,058,933	<sup>K</sup> 5,870,860	<sup>N</sup> 6,030,274
			5,000		
Reappropriation	BA				
Outlays	O	3,999,897	4,435,700	<sup>K</sup> 430,633	<sup>N</sup> 439,498
				4,332,267	<sup>N</sup> 4,698,002
Total Other procurement, Army	BA	5,015,001	5,063,933	5,870,860	6,030,274
	O	3,999,897	4,435,700	4,762,900	5,137,500
Aircraft procurement, Navy	051				
Appropriation, current	BA	10,495,984	9,977,262	<sup>K</sup> 9,924,883	<sup>N</sup> 10,250,270
Outlays	O	8,921,640	9,517,700	<sup>K</sup> 1,087,616	<sup>N</sup> 1,123,278
				8,318,584	<sup>N</sup> 8,340,922
Total Aircraft procurement, Navy	BA	10,495,984	9,977,262	9,924,883	10,250,270
	O	8,921,640	9,517,700	9,406,200	9,464,200
Weapons procurement, Navy	051				
Appropriation, current	BA	4,971,638	5,265,847	<sup>K</sup> 6,502,332	<sup>N</sup> 7,852,931
Outlays	O	3,474,792	4,073,500	<sup>K</sup> 425,468	<sup>N</sup> 519,119
				4,135,432	<sup>N</sup> 4,849,181
Total Weapons procurement, Navy	BA	4,971,638	5,265,847	6,502,332	7,852,931
	O	3,474,792	4,073,500	4,560,900	5,368,300

See footnotes at end of table.



## BUDGET BY AGENCY AND ACCOUNT (in thousands of dollars)—Continued

Account and functional code		1986 actual	1987 estimate	1988 estimate	1989 estimate
<b>Department of Defense—Military—Con.</b>					
<b>Procurement—Con.</b>					
Shipbuilding and conversion, Navy	051				
Appropriation, current	BA			<sup>K</sup> 11,065,355	<sup>N</sup> 11,858,438
		10,350,341	10,210,989		
Outlays	0	9,500,868	10,010,200	<sup>K</sup> 662,856	<sup>N</sup> 710,409
				9,681,544	<sup>N</sup> 9,743,491
Total Shipbuilding and conversion, Navy	BA	10,350,341	10,210,989	11,065,355	11,858,438
	0	9,500,868	10,010,200	10,344,400	10,453,900
Other procurement, Navy	051				
Appropriation, current	BA			<sup>K</sup> 4,983,827	<sup>N</sup> 6,577,530
		6,102,018	6,021,671		
			<sup>B</sup> 40,000		
			<sup>N</sup> — 116,000		
Reappropriation	BA		12,400		
Outlays	0			<sup>K</sup> 504,327	<sup>N</sup> 671,666
		4,166,122	4,963,690	4,795,045	<sup>N</sup> 4,772,971
			<sup>B</sup> 1,050	<sup>B</sup> 6,148	<sup>B</sup> 12,076
			<sup>N</sup> — 13,340	<sup>N</sup> — 37,120	<sup>N</sup> — 32,213
Total Other procurement, Navy	BA	6,102,018	5,958,071	4,983,827	6,577,530
	0	4,166,122	4,951,400	5,268,400	5,424,500
Coastal defense augmentation	051				
Appropriation, current	BA	202,235	200,000		
Outlays	0		72,300	145,600	<sup>N</sup> 163,700
Procurement, Marine Corps	051				
Appropriation, current	BA			<sup>K</sup> 1,402,440	<sup>N</sup> 1,646,475
		1,557,848	1,465,215		
Outlays	0			<sup>K</sup> 256,597	<sup>N</sup> 301,658
		1,753,014	1,672,400	1,273,303	<sup>N</sup> 1,182,042
Total Procurement, Marine Corps	BA	1,557,848	1,465,215	1,402,440	1,646,475
	0	1,753,014	1,672,400	1,529,900	1,483,700
Aircraft procurement, Air Force	051				
Appropriation, current	BA			<sup>K</sup> 14,191,371	<sup>N</sup> 17,221,426
		22,116,361	17,201,341		
			<sup>B</sup> 313,700		
Outlays	0			<sup>K</sup> 774,435	<sup>N</sup> 970,392
		18,919,553	19,178,300	16,684,837	<sup>N</sup> 14,610,305
			<sup>B</sup> 5,300	<sup>B</sup> 44,828	<sup>B</sup> 110,203
Total Aircraft procurement, Air Force	BA	22,116,361	17,515,041	14,191,371	17,221,426
	0	18,919,553	19,183,600	17,504,100	15,690,900
Missile procurement, Air Force	051				
Appropriation, current	BA			<sup>K</sup> 9,772,693	<sup>N</sup> 11,036,102
		7,928,132	7,448,718		
Outlays	0			<sup>K</sup> 2,529,312	<sup>N</sup> 3,139,828
		6,472,723	7,424,400	5,397,988	<sup>N</sup> 6,019,772
Total Missile procurement, Air Force	BA	7,928,132	7,448,718	9,772,693	11,036,102
	0	6,472,723	7,424,400	7,927,300	9,159,600

See footnotes at end of table.



## BUDGET BY AGENCY AND ACCOUNT (in thousands of dollars)—Continued

Account and functional code		1986 actual	1987 estimate	1988 estimate	1989 estimate
<b>Department of Defense—Military—Con.</b>					
<b>Procurement—Con.</b>					
Other procurement, Air Force	051				
Appropriation, current	BA	8,152,562	9,326,781 # 160,000	κ 8,570,482	κ 9,820,236
Reappropriation	BA		12,315		
Outlays	O	7,246,174	8,244,800 # 6,800	κ 4,270,457 3,993,535 # 31,808	κ 4,643,118 κ 4,119,682 # 45,600
Total Other procurement, Air Force	BA	8,152,562	9,499,096	8,570,482	9,820,236
	O	7,246,174	8,251,600	8,295,800	8,808,400
Procurement, Defense agencies	051				
Appropriation, current	BA	1,228,906	1,498,256	κ 1,292,391	κ 1,511,051
Outlays	O	953,027	1,229,100	κ 361,612 986,288	κ 411,573 κ 989,527
Total Procurement, Defense agencies	BA	1,228,906	1,498,256	1,292,391	1,511,051
	O	953,027	1,229,100	1,347,900	1,401,100
National guard and reserve equipment	051				
Appropriation, current	BA	1,469,538	557,000		
Outlays	O	66,487	262,900	459,100	κ 455,700
Defense production act purchases	051				
Appropriation, current	BA	29,481	13,000	κ 30,800	κ 32,500
Outlays	O		800	2,600	κ 4,900
Total Defense production act purchases	BA	29,481	13,000	30,800	32,500
	O		800	2,600	4,900
NATO cooperative defense programs	051				
Appropriation, current	BA	14,265			
Outlays	O		100	1,300	κ 2,900
Chemical agents and munitions destruction, Defense	051				
Appropriation, current	BA		118,700 # 250,000	87,400	κ 211,900
Outlays	O		23,150 # 16,250	50,500 # 72,500	κ 94,550 # 83,750
Total Chemical agents and munitions destruction, Defense	BA		368,700	87,400	211,900
	O		39,400	123,000	178,300
Procurement of aircraft and missiles, Navy	051				
Outlays	O	—2,224			
Procurement of equipment and missiles, Army	051				
Outlays	O	41			
Total Federal funds Procurement	BA	92,506,026	85,846,828	83,974,071	94,624,389
	O	76,517,130	82,694,700	82,797,700	83,560,600

See footnotes at end of table.



## BUDGET BY AGENCY AND ACCOUNT (in thousands of dollars)—Continued

Account and functional code	1986 actual	1987 estimate	1988 estimate	1989 estimate
<b>Department of Defense—Military—Con.</b>				
<b>Research, Development, Test, and Evaluation</b>				
<i>Federal funds</i>				
<b>General and Special Funds:</b>				
Research, development, test, and evaluation, Army 051				
Appropriation, current..... BA	4,563,062	4,696,326 # 43,000 C 44 D 292 M 14,955	K 5,511,172	N 5,972,845
Reappropriation..... BA		17,300		
Outlays..... O	3,983,754	C 15,291 4,500,939 # 5,270	K 2,589,343 2,231,830 # 19,827	N 2,808,146 2,660,860 # 13,094
Total Research, development, test, and evaluation, Army..... BA	4,563,062	4,771,917	5,511,172	5,972,845
O	3,983,754	4,521,500	4,841,000	5,482,100
Research, development, test, and evaluation, Navy 051				
Appropriation, current..... BA	9,572,042	9,351,418 # 29,000 D 33 M 1,477	K 10,490,412	N 10,044,819
Outlays..... O	9,666,769	D 1,510 9,276,200 # 3,990	K 5,701,722 3,806,805 # 14,573	N 5,465,202 4,446,333 # 8,265
Total Research, development, test, and evaluation, Navy..... BA	9,572,042	9,381,928	10,490,412	10,044,819
O	9,666,769	9,281,700	9,523,100	9,919,800
Research, development, test, and evaluation, Air Force 051				
Appropriation, current..... BA	13,109,468	15,137,783 # 28,000 C 35 D 271 M 13,609	K 18,623,383	N 17,728,571
Reappropriation..... BA		11,874		
Outlays..... O	13,417,459	C 13,915 13,973,175 # 3,710	K 9,373,937 6,726,677 # 13,686	N 8,887,807 8,348,703 # 8,190
Total Research, development, test, and evaluation, Air Force..... BA	13,109,468	15,191,572	18,623,383	17,728,571
O	13,417,459	13,990,800	16,114,300	17,244,700

See footnotes at end of table.



## BUDGET BY AGENCY AND ACCOUNT (in thousands of dollars)—Continued

Account and functional code		1986 actual	1987 estimate	1988 estimate	1989 estimate
<b>Department of Defense—Military—Con.</b>					
<b>Research, Development, Test, and Evaluation—Con.</b>					
Research, development, test, and evaluation, Defense agencies 051					
Appropriation, current .....	BA	6,250,154	6,648,591 # 518,000 C 2 D 113 # 5,165	* 8,811,532	* 10,120,664
Outlays .....	O	5,143,245	C 5,280 6,204,390 # 64,130	* 4,202,693 3,145,720 # 245,687	* 4,825,764 4,161,281 # 167,055
Total Research, development, test, and evaluation, Defense agencies .....	BA	6,250,154	7,171,871	8,811,532	10,120,664
	D	5,143,245	6,273,800	7,594,100	9,154,100
Director of test and evaluation, Defense 051					
Appropriation, current .....	BA	113,918	119,906 # 30,000	* 178,217	* 186,128
Outlays .....	O	71,589	101,461 # 2,139	* 50,792 80,908 # 10,200	* 53,046 112,493 # 12,561
Total Director of test and evaluation, Defense .....	BA	113,918	149,906	178,217	186,128
	O	71,589	103,600	141,900	178,100
Director of operational test and evaluation, Defense 051					
Appropriation, current .....	BA		11,300 # 46,000	* 104,221	* 149,657
Outlays .....	O		3,220 # 3,280	* 29,753 5,707 # 15,640	* 42,700 54,440 # 19,260
Total Director of operational test and evaluation, Defense .....	BA		57,300	104,221	149,657
	O		6,500	51,100	116,400
Total Federal funds Research, Development, Test, and Evaluation .....	BA	33,608,644	36,724,494	43,718,937	44,202,684
	O	32,282,816	34,177,900	38,265,500	42,095,200

See footnotes at end of table.



## BUDGET BY AGENCY AND ACCOUNT (in thousands of dollars)—Continued

Account and functional code		1986 actual	1987 estimate	1988 estimate	1989 estimate
<b>Department of Defense—Military—Con.</b>					
<b>Military Construction</b>					
<i>Federal funds</i>					
<b>General and Special Funds:</b>					
Military construction, Army	051				
Appropriation, current	BA	1,524,436	1,262,510 # 250,000 C 2 D 91 # 4,136	* 1,191,700	* 1,273,300
Appropriation, permanent	BA			221,000	* 214,000
Outlays	0	1,360,438	C 4,229 1,226,371 # 12,500	* 162,160 1,060,790 # 64,550	* 172,270 # 1,106,755 # 93,575
Total Military construction, Army	BA	1,524,436	1,516,739	1,412,700	1,487,300
	0	1,360,438	1,243,100	1,287,500	1,372,600
Military construction, Navy	051				
Appropriation, current	BA	1,621,807	1,377,705 D 39 # 1,736	* 1,844,072	* 1,826,226
Outlays	0	1,352,363	D 1,775 1,416,725	* 270,715 1,203,585	* 267,235 # 1,354,465
Total Military construction, Navy	BA	1,621,807	1,379,480	1,844,072	1,826,226
	0	1,352,363	1,418,500	1,474,300	1,621,700
Military construction, Air Force	051				
Appropriation, current	BA	1,581,727	1,242,530 # — 2,750	* 1,500,900	* 1,738,900
Outlays	0	1,524,964	1,486,955 # — 355	* 195,607 1,267,558 # — 1,265	* 226,407 # 1,250,428 # — 535
Total Military construction, Air Force	BA	1,581,727	1,239,780	1,500,900	1,738,900
	0	1,524,964	1,486,600	1,461,900	1,476,300
Military construction, Defense agencies	051				
Appropriation, current	BA	172,488	534,170	* 859,200	* 897,900
Outlays	0	263,751	259,200	* 57,051 285,949	* 59,621 # 444,179
Total Military construction, Defense agencies	BA	172,488	534,170	859,200	897,900
	0	263,751	259,200	343,000	503,800
North Atlantic Treaty Organization infrastructure	051				
Appropriation, current	BA	9,510	232,000	* 396,000	* 412,100
Outlays	0	179,564	160,000	160,000	* 160,000
Total North Atlantic Treaty Organization infrastructure	BA	9,510	232,000	396,000	412,100
	0	179,564	160,000	160,000	160,000

See footnotes at end of table.



## BUDGET BY AGENCY AND ACCOUNT (in thousands of dollars)—Continued

Account and functional code		1986 actual	1987 estimate	1988 estimate	1989 estimate
<b>Department of Defense—Military—Con.</b>					
<b>Military Construction—Con.</b>					
Military construction, Army National Guard	051				
Appropriation, current .....	BA			<sup>K</sup> 170,400	<sup>N</sup> 161,100
		97,197	140,879		
Outlays .....	O			<sup>K</sup> 20,448	<sup>N</sup> 19,332
		98,757	93,500	103,152	<sup>N</sup> 133,468
Total Military construction, Army National Guard .....	BA	97,197	140,879	170,400	161,100
	O	98,757	93,500	123,600	152,800
Military construction, Air National Guard	051				
Appropriation, current .....	BA			<sup>K</sup> 160,800	<sup>N</sup> 137,000
		115,309	148,925		
Outlays .....	O			<sup>K</sup> 16,080	<sup>N</sup> 13,700
		131,418	122,200	127,420	<sup>N</sup> 131,500
Total Military construction, Air National Guard .....	BA	115,309	148,925	160,800	137,000
	O	131,418	122,200	143,500	145,200
Military construction, Army Reserve	051				
Appropriation, current .....	BA			<sup>K</sup> 95,100	<sup>N</sup> 108,000
		58,340	86,700 <sup>D 1</sup>		
Outlays .....	O		<sup>N</sup> 53 <sup>D 54</sup>	<sup>K</sup> 23,775	<sup>N</sup> 27,000
		59,608	64,546	57,325	<sup>N</sup> 63,500
Total Military construction, Army Reserve .....	BA	58,340	86,754	95,100	108,000
	O	59,608	64,600	81,100	90,500
Military construction, Naval Reserve	051				
Appropriation, current .....	BA			<sup>K</sup> 73,737	<sup>N</sup> 56,923
		39,752	44,500		
Outlays .....	O			<sup>K</sup> 11,061	<sup>N</sup> 8,538
		42,588	43,200	37,439	<sup>N</sup> 50,562
Total Military construction, Naval Reserve .....	BA	39,752	44,500	73,737	56,923
	O	42,588	43,200	48,500	59,100
Military construction, Air Force Reserve	051				
Appropriation, current .....	BA			<sup>K</sup> 79,300	<sup>N</sup> 59,300
		59,942	58,900		
Outlays .....	O			<sup>K</sup> 8,723	<sup>N</sup> 6,523
		53,700	61,000	53,577	<sup>N</sup> 62,977
Total Military construction, Air Force Reserve ..	BA	59,942	58,900	79,300	59,300
	O	53,700	61,000	62,300	69,500
Total Federal funds Military Construction .....	BA	5,280,508	5,382,127	6,592,209	6,884,749
	O	5,067,151	4,951,900	5,185,700	5,651,500

See footnotes at end of table.



## BUDGET BY AGENCY AND ACCOUNT (in thousands of dollars)—Continued

Account and functional code		1986 actual	1987 estimate	1988 estimate	1989 estimate
<b>Department of Defense—Military—Con.</b>					
<b>Family Housing</b>					
<i>Federal funds</i>					
<b>General and Special Funds:</b>					
Family housing, Army	051				
Appropriation, current	BA	1,360,026	1,590,011 <sup>c 4</sup>	<sup>N</sup> 1,735,913	<sup>N</sup> 1,874,269
			<sup>D 6</sup>		
			<sup>N</sup> 435		
Outlays	O	1,345,233	<sup>c 445</sup> 1,316,055	<sup>N</sup> 871,467	<sup>N</sup> 965,522
			599,533	<sup>N</sup> 715,878	
Total Family housing, Army	BA	1,360,026	1,590,456	1,735,913	1,874,269
	O	1,345,233	1,316,500	1,471,000	1,681,400
Family housing, Navy and Marine Corps	051				
Appropriation, current	BA	632,544	700,080	<sup>N</sup> 797,235	<sup>N</sup> 822,367
Outlays	O	636,080	646,200	<sup>N</sup> 358,967	<sup>N</sup> 374,787
			324,433	<sup>N</sup> 379,113	
Total Family housing, Navy and Marine Corps	BA	632,544	700,080	797,235	822,367
	O	636,080	646,200	683,400	753,900
Family housing, Air Force	051				
Appropriation, current	BA	793,119	808,511	<sup>N</sup> 925,100	<sup>N</sup> 957,600
Outlays	O	833,838	775,800	<sup>N</sup> 476,215	<sup>N</sup> 512,466
			362,785	<sup>N</sup> 383,434	
Total Family housing, Air Force	BA	793,119	808,511	925,100	957,600
	O	833,838	775,800	839,000	895,900
Family housing, Defense agencies	051				
Appropriation, current	BA	15,755	16,643	<sup>N</sup> 19,700	<sup>N</sup> 20,000
Outlays	O	83	28,600	<sup>N</sup> 12,682	<sup>N</sup> 13,360
			5,218	<sup>N</sup> 6,740	
Total Family housing, Defense agencies	BA	15,755	16,643	19,700	20,000
	O	83	28,600	17,900	20,100
<b>Public Enterprise Funds:</b>					
Homeowners assistance fund, Defense	051				
Appropriation, current	BA		2,000	2,800	<sup>N</sup> 2,000
Authority to borrow, permanent	BA	1,958	3,600	3,000	<sup>N</sup> 3,000
Outlays	O	3,364	—100	800	<sup>N</sup> 800
Total Homeowners assistance fund, Defense	BA	1,958	5,600	5,800	5,000
	O	3,364	—100	800	800
Total Federal funds Family Housing	BA	2,803,402	3,121,290	3,483,748	3,679,236
	O	2,818,598	2,767,000	3,012,100	3,352,100
<b>Special Foreign Currency Program</b>					
<i>Federal funds</i>					
<b>General and Special Funds:</b>					
Special foreign currency program	051				
Appropriation, current	BA	1,997	3,500		
Outlays	O	2,507	4,000	2,400	<sup>N</sup> 1,300

See footnotes at end of table.



## BUDGET BY AGENCY AND ACCOUNT (in thousands of dollars)—Continued

Account and functional code		1986 actual	1987 estimate	1988 estimate	1989 estimate
Department of Defense--Military--Con.					
Revolving and Management Funds					
Federal funds					
Public Enterprise Funds:					
Defense production guarantees	051				
Authority to borrow, permanent	BA	3,236			
Outlays	O	3,233			
Laundry service, Naval Academy	051				
Outlays	O	168			
Intragovernmental Funds:					
Army stock fund	051				
Appropriation, current	BA			<sup>κ</sup> 263,207	<sup>κ</sup> 349,929
		373,743	110,100		
Contract authority, permanent, indefinite	BA	794,011			
Outlays	O			<sup>κ</sup> 86,528	<sup>κ</sup> 112,375
		759,382	155,100	196,972	<sup>κ</sup> 134,425
Total Army stock fund	BA	1,167,754	110,100	263,207	349,929
	O	759,382	155,100	283,500	246,800
Navy stock fund	051				
Appropriation, current	BA			<sup>κ</sup> 404,400	<sup>κ</sup> 434,581
		607,213	352,570		
Contract authority, permanent, indefinite	BA	1,481,681			
Outlays	O			<sup>κ</sup> 166,287	<sup>κ</sup> 167,370
		714,576	1,012,900	424,513	<sup>κ</sup> 294,630
Total Navy stock fund	BA	2,088,894	352,570	404,400	434,581
	O	714,576	1,012,900	590,800	462,000
Marine Corps stock fund	051				
Appropriation, current	BA	35,853	822		
Contract authority, permanent, indefinite	BA	2,358			
Outlays	O	43,771	21,000		
Total Marine Corps stock fund	BA	38,211	822		
	O	43,771	21,000		
Air Force stock fund	051				
Appropriation, current	BA			<sup>κ</sup> 326,007	<sup>κ</sup> 224,738
		395,521	139,980		
Contract authority, permanent, indefinite	BA	356,963			
Outlays	O			<sup>κ</sup> 104,275	<sup>κ</sup> 75,268
		1,265,804	150,200	172,725	<sup>κ</sup> 131,732
Total Air Force stock fund	BA	752,484	139,980	326,007	224,738
	O	1,265,804	150,200	277,000	207,000
Defense stock fund	051				
Appropriation, current	BA			<sup>κ</sup> 207,600	<sup>κ</sup> 122,700
		84,365	47,200		
Contract authority, permanent, indefinite	BA	456,880			
Outlays	O			<sup>κ</sup> 68,508	<sup>κ</sup> 40,491
		171,733	781,400	106,492	<sup>κ</sup> 133,609
Total Defense stock fund	BA	541,245	47,200	207,600	122,700
	O	171,733	781,400	175,000	174,100
Army industrial fund	051				
Outlays	O	52,704			
Navy industrial fund	051				
Authority to borrow, permanent	BA	568,111			
Outlays	O	-187,785	593,600	-169,200	<sup>κ</sup> -178,200

See footnotes at end of table.



## BUDGET BY AGENCY AND ACCOUNT (in thousands of dollars)—Continued

Account and functional code		1986 actual	1987 estimate	1988 estimate	1989 estimate
<b>Department of Defense—Military—Con.</b>					
<b>Revolving and Management Funds— Con.</b>					
Marine Corps industrial fund	051				
Outlays.....	0	6,439			
Air Force industrial fund	051				
Outlays.....	0	—107,907			
Defense industrial fund	051				
Outlays.....	0	140,713			
ADP equipment management fund	051				
Appropriation, current.....	BA	75,145			
Army management fund	051				
Outlays.....	0	21,470			
Navy management fund	051				
Outlays.....	0	9,312			
Army conventional ammunition working capital fund	051				
Outlays.....	0	—16,702			
Total Federal funds Revolving and Management Funds.....	BA	5,235,080	650,672	1,201,214	1,131,948
	0	2,876,911	2,714,200	1,157,100	911,700
<b>Allowances</b>					
<i>Federal funds</i>					
<b>General and Special Funds:</b>					
Civilian pay raises	051				
Appropriation, current.....	BA			' 504,620	' 1,418,986
Outlays.....	0			' 496,000	' 1,403,400
Military pay raises and benefits	051				
Appropriation, current.....	BA			' 2,008,500	' 4,927,180
Outlays.....	0			' 1,979,300	' 4,884,100
Other legislation	051				
Appropriation, current.....	BA			' 173,607	' 485,331
Outlays.....	0			' 57,300	' 220,900
Total Federal funds Allowances.....	BA			2,686,727	6,831,497
	0			2,532,600	6,508,400
<b>Trust Funds</b>					
<i>Trust funds</i>					
Department of the Army trust funds	051				
Appropriation, permanent, indefinite.....	BA	108	120	120	<sup>N</sup> 110
Outlays.....	0	192	100	100	<sup>N</sup> 100
Department of the Navy trust funds	051				
Appropriation, permanent, indefinite.....	BA	22,903	23,680	23,890	<sup>N</sup> 24,010
Outlays.....	0	23,969	24,600	23,800	<sup>N</sup> 23,900
Department of the Air Force general gift fund	051				
Appropriation, permanent, indefinite.....	BA	1,827	100	90	<sup>N</sup> 80
Outlays.....	0	2,043	2,100	1,000	<sup>N</sup> 200

See footnotes at end of table.



**BUDGET BY AGENCY AND ACCOUNT (in thousands of dollars)—Continued**

Account and functional code	1986 actual	1987 estimate	1988 estimate	1989 estimate
<b>Department of Defense—Military—Con.</b>				
<b>Trust Funds—Con.</b>				
Surcharge collections, sales of commissary stores, Army 051				
Outlays.....	0	— 2,389	15,000	2,100
Department of the Navy trust revolving funds 051				
Outlays.....	0	— 2,930	2,100	2,100
Department of the Air Force trust revolving funds 051				
Outlays.....	0	32,960	22,900	22,900
Total Trust funds Trust Funds.....	BA 0	24,838 53,845	23,900 66,800	24,100 52,000
				24,200 38,000
<b>Summary</b>				
Federal funds:				
(As shown in detail above).....	BA 0	282,118,298 266,335,943	285,606,269 274,832,200	304,020,800 289,997,900
				324,031,900 304,428,100
Deductions for offsetting receipts:				
Intrafund transactions 051 BA		213.....		
Proprietary receipts from the public 051 BA		— 731,934	— 676,300	— 727,000
	0			— 743,100
Total Federal funds.....	BA 0	281,386,577 265,604,222	284,929,969 274,155,900	303,293,800 289,270,900
				323,288,800 303,685,000
Trust funds:				
(As shown in detail above).....	BA 0	24,838 53,845	23,900 66,800	24,100 52,000
				24,200 38,000
Interfund transactions 051 BA		— 21,653	— 22,700	— 22,900
	0			— 23,000
Total Department of Defense—Military.....	BA 0	281,389,762 265,636,414	284,931,169 274,200,000	303,295,000 289,300,000
				323,290,000 303,700,000

**Department of Defense—Civil****Cemeterial Expenses, Army***Federal funds***General and Special Funds:**

Salaries and expenses 705				
Appropriation, current.....	BA	13,987	15,783	8,504
			74	12,940
Outlays.....	0	7,866	14,435	15,995
				9,451
Total Salaries and expenses.....	BA 0	13,987 7,866	15,857 14,435	8,504 15,995
				12,940 9,451

**Corps of Engineers—Civil***Federal funds***General and Special Funds:**

General investigations 301				
Appropriation, current.....	BA	123,478	135,287	133,000
Outlays.....	0	130,901	135,000	133,000
				137,000

See footnotes at end of table.



**BUDGET BY AGENCY AND ACCOUNT (in thousands of dollars)—Continued**

Account and functional code		1986 actual	1987 estimate	1988 estimate	1989 estimate
<b>Department of Defense—Civil—Con.</b>					
<b>Corps of Engineers—Civil—Con.</b>					
Construction, general	301				
Appropriation, current .....	BA	879,830	1,126,150 # — 3,200	1,150,000	1,195,000
Outlays .....	O	908,288	1,162,300 # — 7,715	1,150,000	1,195,000
Total Construction, general .....	BA	879,830	1,122,950	1,150,000	1,195,000
	O	908,288	1,154,585	1,150,000	1,195,000
Operation and maintenance, general: (Water resources)	301				
(Appropriation, current) .....	BA	1,248,764	1,377,346 ^ — 66,750	1,308,800	1,328,400
(Outlays) .....	O	1,302,698	1,367,500 ^ — 66,750	1,308,800	1,328,400
Total (Water resources) .....	BA	1,248,764	1,310,596	1,308,800	1,328,400
	O	1,302,698	1,300,750	1,308,800	1,328,400
(Recreational resources)	303				
(Appropriation, current) .....	BA	11,484	12,500	12,000	15,000
(Outlays) .....	O	11,484	12,500	12,000	15,000
Total Operation and maintenance, general .....	BA	1,260,248	1,323,096	1,320,800	1,343,400
	O	1,314,182	1,313,250	1,320,800	1,343,400
Flood control and coastal emergencies	301				
Appropriation, current .....	BA	48,925	10,000	26,000	26,000
Outlays .....	O	27,065	40,000	35,000	26,000
General expenses	301				
Appropriation, current .....	BA	105,399	115,000 ^ 3,200	128,200	126,300
Outlays .....	O	109,770	118,200	128,200	126,300
Total General expenses .....	BA	105,399	118,200	128,200	126,300
	O	109,770	118,200	128,200	126,300
Flood control, Mississippi River and tributaries	301				
Appropriation, current .....	BA	301,225	310,797	317,000	336,000
Outlays .....	O	329,656	310,000	317,000	336,000
Permanent appropriations:					
(Water resources)	301				
(Appropriation, permanent, indefinite) .....	BA	10,250	3,000	3,000	3,000
(Outlays) .....	O	5,851	10,145	3,000	3,000
(Other general purpose fiscal assistance)	852				
(Appropriation, permanent, indefinite) .....	BA	4,376	7,885	6,000	6,000
(Outlays) .....	O	7,099	6,355	6,000	6,000
Total Permanent appropriations .....	BA	14,626	10,885	9,000	9,000
	O	12,950	16,500	9,000	9,000
Intragovernmental Funds:					
Revolving fund	301				
Appropriation, current .....	BA	6,699	12,000		50,000
Outlays .....	O	— 5,699	2,000	10,000	50,000

See footnotes at end of table.



## BUDGET BY AGENCY AND ACCOUNT (in thousands of dollars)—Continued

Account and functional code		1986 actual	1987 estimate	1988 estimate	1989 estimate
<b>Department of Defense--Civil—Con.</b>					
<b>Corps of Engineers—Civil—Con.</b>					
<i>Trust funds</i>					
Inland waterways trust fund	301				
Appropriation, current	BA		26,000	38,000	73,000
Outlays	O		33,800	38,000	73,000
Rivers and harbors contributed funds	301				
Appropriation, permanent, indefinite	BA	49,064	237,000	250,000	245,000
Outlays	O	46,058	194,000	250,000	245,000
Harbor maintenance trust fund	301				
Appropriation, current	BA			149,200	157,600
			<sup>A</sup> 66,750		
Outlays	O			149,200	157,600
			<sup>A</sup> 66,750		
Total Harbor maintenance trust fund	BA		66,750	149,200	157,600
	O		66,750	149,200	157,600
<b>Summary</b>					
Federal funds:					
(As shown in detail above)	BA	2,740,430	3,044,215	3,084,000	3,222,700
	O	2,827,113	3,089,535	3,103,000	3,222,700
Deductions for offsetting receipts:					
Proprietary receipts from the public	301 BA	-6,361	-6,100	-6,100	-6,100
	O				
	303 BA	-12,204	-13,000	-14,000	-15,000
	O				
	BA			<sup>A</sup> -19,200	<sup>A</sup> -20,000
	O				
Total Federal funds	BA	2,721,865	3,025,115	3,044,700	3,181,600
	O	2,808,548	3,070,435	3,063,700	3,181,600
Trust funds:					
(As shown in detail above)	BA	49,064	329,750	437,200	475,600
	O	46,058	294,550	437,200	475,600
Deductions for offsetting receipts:					
Proprietary receipts from the public	301 BA	-49,064	-237,000	-250,000	-245,000
	O				
Total Trust funds	BA		92,750	187,200	230,600
	O	-3,006	57,550	187,200	230,600
Total Corps of Engineers—Civil	BA	2,721,865	3,117,865	3,231,900	3,412,200
	O	2,805,542	3,127,985	3,250,900	3,412,200
<b>Military Retirement</b>					
<i>Federal funds</i>					
General and Special Funds:					
Payment to military retirement fund	054				
Appropriation, permanent, indefinite	BA	10,500,000	10,524,000	11,200,000	<sup>A</sup> 11,494,000
Outlays	O	10,500,000	10,524,000	11,200,000	<sup>A</sup> 11,494,000
Retired pay, Defense	602				
Outlays	O	10,042	7,000	5,000	3,500
<i>Trust funds</i>					
Military retirement fund	602				
Appropriation, permanent, indefinite	BA	29,895,698	31,245,855	33,409,000	34,984,300
Outlays	O	17,610,521	17,945,700	18,881,700	19,932,700

See footnotes at end of table.



## BUDGET BY AGENCY AND ACCOUNT (in thousands of dollars)—Continued

Account and functional code		1986 actual	1987 estimate	1988 estimate	1989 estimate
<b>Department of Defense—Civil—Con.</b>					
<b>Military Retirement—Con.</b>					
<i>Summary</i>					
<b>Federal funds:</b>					
(As shown in detail above) .....	BA	10,500,000	10,524,000	11,200,000	11,494,000
	O	10,510,042	10,531,000	11,205,000	11,497,500
<b>Trust funds:</b>					
(As shown in detail above) .....	BA	29,895,698	31,245,855	33,409,000	34,984,300
	O	17,610,521	17,945,700	18,881,700	19,932,700
Interfund transactions	054				
	O	—10,500,000	—10,524,000	—11,200,000	—11,494,000
Total Military Retirement .....	BA	29,895,698	31,245,855	33,409,000	34,984,300
	O	17,620,563	17,952,700	18,886,700	19,936,200
<b>Education Benefits</b>					
<i>Federal funds</i>					
<b>General and Special Funds:</b>					
Payment to the Henry M. Jackson Foundation					
	502				
Appropriation, current .....	BA		10,000		
Outlays .....	O		10,000		
<i>Trust funds</i>					
Education benefits fund					
	702				
Appropriation, current, indefinite .....	BA			48,800	227,600
Appropriation, permanent, indefinite .....	BA	245,071	309,200	234,300	61,200
Outlays .....	O	28,760	75,000	120,000	159,000
				20,000	53,000
Total Education benefits fund .....	BA	245,071	309,200	283,100	288,800
	O	28,760	75,000	140,000	212,000
<i>Summary</i>					
<b>Federal funds:</b>					
(As shown in detail above) .....	BA		10,000		
	O		10,000		
<b>Trust funds:</b>					
(As shown in detail above) .....	BA	245,071	309,200	283,100	288,800
	O	28,760	75,000	140,000	212,000
Interfund transactions	702				
	BA	—236,901	—281,500	—198,140	—25,530
	O				
	BA			47,900	220,500
	O				
Total Education Benefits .....	BA	8,170	37,700	37,060	42,770
	O	—208,141	—196,500	—106,040	—34,030

See footnotes at end of table.



## BUDGET BY AGENCY AND ACCOUNT (in thousands of dollars)—Continued

Account and functional code		1986 actual	1987 estimate	1988 estimate	1989 estimate
<b>Department of Defense—Civil—Con.</b>					
<b>Soldiers' and Airmen's Home</b>					
<i>Trust funds</i>					
Operation and maintenance	705				
Appropriation, current	BA	33,196	34,022 c 1,132	37,080	37,609
Outlays	O	29,222	34,876	36,771	37,510
Total Operation and maintenance	BA	33,196	35,154	37,080	37,609
	O	29,222	34,876	36,771	37,510
Capital outlays	705				
Appropriation, current	BA	13,114	16,241 r - 1,132		
Outlays	O	3,863	12,192	6,096	3,048
Total Capital outlays	BA	13,114	15,109		
	O	3,863	12,192	6,096	3,048
Payment of claims	705				
Appropriation, permanent, indefinite	BA		5	5	5
Outlays	O		5	5	5
Soldiers' and Airmen's Home revolving fund	705				
Outlays	O	3			
<b>Summary</b>					
Trust funds:					
(As shown in detail above)	BA	46,310	50,268	37,085	37,614
	O	33,088	47,073	42,872	40,563
Deductions for offsetting receipts:					
Proprietary receipts from the public	705 BA	-4,179	-4,755	-4,901	-5,047
	O				
Total Soldiers' and Airmen's Home	BA	42,131	45,513	32,184	32,567
	O	28,909	42,318	37,971	35,516
<b>Forest and Wildlife Conservation, Military Reservations</b>					
<i>Federal funds</i>					
General and Special Funds:					
Forest products program	302				
Appropriation, permanent, indefinite	BA	771	400	1,500	1,500
Outlays	O	-170	1,377	1,500	1,500
Wildlife conservation	303				
Appropriation, permanent, indefinite	BA	1,732	1,980	2,020	2,050
Outlays	O	1,641	2,200	2,250	2,050
<b>Summary</b>					
Federal funds:					
(As shown in detail above)	BA	2,503	2,380	3,520	3,550
	O	1,471	3,577	3,750	3,550
Deductions for offsetting receipts:					
Proprietary receipts from the public	302 BA	-771	-400	-1,500	-1,500
	O				

See footnotes at end of table.



**BUDGET BY AGENCY AND ACCOUNT (in thousands of dollars)—Continued**

Account and functional code		1986 actual	1987 estimate	1988 estimate	1989 estimate
<b>Department of Defense—Civil—Con.</b>					
<b>Forest and Wildlife Conservation, Military Reservations—Con.</b>					
303 BA		—1,733	—1,980	—2,020	—2,050
0					
Total Forest and Wildlife Conservation, Military Reservations.....	BA	—1			
	O	—1,033	1,197	230	
<b>Summary</b>					
<b>Federal funds:</b>					
(As shown in detail above).....	BA	13,256,920	13,596,452	14,296,024	14,733,190
	O	13,346,492	13,648,547	14,327,745	14,733,201
<b>Deductions for offsetting receipts:</b>					
Proprietary receipts from the public	301 BA	—6,361	—6,100	—6,100	—6,100
	O				
	302 BA	—771	—400	—1,500	—1,500
	O				
	303 BA	—13,937	—14,980	—16,020	—17,050
	O				
	BA			—19,200	—20,000
	O				
Total Federal funds.....	BA	13,235,851	13,574,972	14,253,204	14,688,540
	O	13,325,423	13,627,067	14,284,925	14,688,551
<b>Trust funds:</b>					
(As shown in detail above).....	BA	30,236,143	31,935,073	34,166,385	35,786,314
	O	17,718,427	18,362,323	19,501,772	20,660,863
<b>Deductions for offsetting receipts:</b>					
Proprietary receipts from the public	301 BA	—49,064	—237,000	—250,000	—245,000
	O				
	705 BA	—4,179	—4,755	—4,901	—5,047
	O				
Total Trust funds.....	BA	30,182,900	31,693,318	33,911,484	35,536,267
	O	17,665,184	18,120,568	19,246,871	20,410,816
<b>Interfund transactions</b>					
	054 BA	—10,500,000	—10,524,000	—11,200,000	—11,494,000
	O				
	702 BA	—236,901	—281,500	—198,140	—25,530
	O				
	BA			—47,900	—220,500
	O				
Total Department of Defense—Civil.....	BA	32,681,850	34,462,790	36,718,648	38,484,777
	O	20,253,706	20,942,135	22,085,756	23,359,337

See footnotes at end of table.



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**PART 4**

**FEDERAL RECEIPTS BY SOURCE**

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4-1

**January 28, 1987**



## FEDERAL RECEIPTS BY SOURCE

Receipts (budget and off-budget) are taxes and other collections from the public that result from the exercise of the Government's sovereign or governmental powers. They are compared with outlays to determine the surplus or deficit.

This section of the budget discusses receipts for 1986 to 1990 and the legislative proposals and administrative actions affecting them.<sup>1</sup>

### SUMMARY

Total receipts in 1988 are estimated to be \$916.6 billion, an increase of \$74.2 billion from the \$842.4 billion estimated for 1987. Receipts in 1989 and 1990 are estimated to be \$976.2 billion and \$1,048.3 billion, respectively. These estimates include the effects of:

- previously enacted tax legislation, including the Tax Reform Act of 1986; and
- the receipts proposals—primarily Internal Revenue Service initiatives, increased user fees, and trust fund reforms—in this budget.

As a share of GNP, receipts are projected to rise from 19.1 percent in 1987 to 19.3 percent in 1990. This is primarily due to real economic growth and increases in the combined employer-employee social security (OASDHI) tax rate from 14.3 percent to 15.02 percent on January 1, 1988, and to 15.3 percent on January 1, 1990.

**Composition of Receipts.**—The Federal tax system relies predominantly on income and payroll taxes. In 1988:

- Income taxes paid by individuals and corporations are estimated at \$392.8 billion and \$117.2 billion, respectively. These sources combined account for 55.6 percent of estimated receipts.
- Social insurance taxes and contributions—composed largely of payroll taxes levied on wages and salaries, most of which are paid in equal amounts by employers and employees—will yield an estimated \$333.2 billion, 36.4 percent of the total.

<sup>1</sup> Detailed estimates of receipts by source for 1986 to 1988 are shown in Tables 13 and 17 of Part 6c. The economic assumptions on which the receipts estimates are based are presented in Part 3, and estimates of receipts for 1986-1992 are presented in Table 3 of Part 6c. Part 6a contains an analysis of the difference between actual receipts for 1986 and the estimates for 1986 transmitted to the Congress in February 1985. Part 6b explains the conceptual basis for classifying certain amounts collected by the Federal Government as receipts and other amounts as offsetting collections.



- Excise taxes imposed on selected products, services, and activities are expected to provide \$33.4 billion, 3.6 percent of the total.
- Estate and gift taxes, customs duties, and miscellaneous receipts are estimated at \$40.0 billion, the remaining 4.4 percent of receipts.

## RECEIPTS BY SOURCE

(In billions of dollars)

Source	1986 actual	1987 estimate	1988 estimate	1989 estimate	1990 estimate
Individual income taxes.....	349.0	364.0	392.8	417.3	450.8
Corporation income taxes.....	63.1	104.8	117.2	128.6	139.8
Social insurance taxes and contributions.....	283.9	301.5	333.2	357.2	384.0
On-budget.....	(83.7)	(87.4)	(91.1)	(93.8)	(97.3)
Off-budget.....	(200.2)	(214.0)	(242.1)	(263.4)	(286.6)
Excise taxes.....	32.9	32.6	33.4	32.9	33.7
Estate and gift taxes.....	7.0	6.0	5.8	5.0	4.4
Customs duties.....	13.3	14.4	15.3	16.2	16.8
Miscellaneous receipts.....	19.9	19.1	18.9	19.0	18.8
<b>Total receipts.....</b>	<b>769.1</b>	<b>842.4</b>	<b>916.6</b>	<b>976.2</b>	<b>1,048.3</b>
On-budget.....	(568.9)	(628.4)	(674.5)	(712.8)	(761.6)
Off-budget.....	(200.2)	(214.0)	(242.1)	(263.4)	(286.6)

Under the tax policy and economic assumptions presented in this budget, the income tax share of total receipts is projected to rise to 56.3 percent by 1990, 0.7 percentage point more than its 1988 share. This rise is the combined effect of a 0.1 percentage point rise in the individual income tax share to 43.0 percent and a 0.5 percentage point rise in the corporation income tax share to 13.3 percent. Social insurance taxes and contributions are projected to increase slightly as a share of total receipts to 36.6 percent. The excise tax share is projected to decline to 3.2 percent in 1990, 0.4 percentage point less than for 1988. The projected share of all other receipts declines by 0.5 percentage point between 1988 and 1990.

## ENACTED LEGISLATION

Several major tax laws have been enacted since this administration took office in January 1981. The first, the Economic Recovery Tax Act of 1981 (ERTA), provided incentives for work, saving, and investment. The major provisions of the Act included an across-the-board reduction in individual income tax rates and other reductions in individual income taxes; the annual adjustment of the zero bracket amount, the personal exemption, and individual income tax brackets for inflation beginning in 1985; and the accelerated cost recovery system (ACRS) for depreciation of capital expenditures.



The second major tax law, the Tax Equity and Fiscal Responsibility Act of 1982 (TEFRA), improved the fairness of the tax system while preserving the incentives for work, saving, and investment enacted in 1981. This Act increased receipts primarily by eliminating unintended benefits and obsolete incentives, and providing mechanisms to improve tax law enforcement and collection techniques.

The Highway Revenue Act of 1982 was the third major tax law enacted after January 1981. This Act increased the excise tax on gasoline and diesel fuel to 9 cents per gallon and restructured other highway related taxes to make the taxes paid by various highway users correspond more equitably to the wear and tear that such users cause to the highway system.

Three major laws affecting receipts were enacted during 1983: the Social Security Amendments of 1983, the Interest and Dividends Tax Compliance Act of 1983, and the Railroad Retirement Revenue Act of 1983. The first, the Social Security Amendments of 1983, restored the solvency of social security trust funds through a combination of revenue increases and benefit reductions. The major provision of the Interest and Dividends Tax Compliance Act of 1983 repealed the withholding of taxes on interest and dividend income provided in TEFRA. The tax increases provided in the Railroad Retirement Revenue Act of 1983, together with the benefit reductions provided in the Railroad Retirement Solvency Act of 1983, were designed to place the railroad industry pension program on a sounder financial basis. Despite these changes, further deterioration in the system has forced the rail pension actuaries to recommend financing increases in the pension program.

The most recent major tax law enacted prior to 1986 was the Deficit Reduction Act of 1984 (DEFRA). The major provisions of this Act increased the efficiency of the tax system by curbing tax shelter abuse, limiting unwarranted tax benefits, and further improving tax law enforcement.

One of the most sweeping overhauls of the tax code in our Nation's history became law on October 22, 1986, when President Reagan signed the Tax Reform Act of 1986. The major provisions of this Act, which broadened the individual and corporation income tax bases and substantially lowered individual and corporation income tax rates, were designed to restore simplicity and fairness to the Federal income tax code.

Other major laws enacted during 1986 affecting receipts included the Consolidated Omnibus Budget Reconciliation Act of 1985, the Federal Employees' Retirement System Act of 1986, the Omnibus Budget Reconciliation Act of 1986, the Superfund Amendments and Reauthorization Act of 1986, and the Continuing Resolution for 1987.



As a result of these legislated changes, taxes have been reduced, on net, by \$743.8 billion over the 1986-1990 period relative to what they would have been under pre-1981 tax law. As shown in the following table, there is a net tax reduction of \$117.5 billion to \$193.1 billion every year during this period. Individuals have benefited the most from these legislated changes, realizing reductions in income taxes of \$933.2 billion over the 5-year period.

NET EFFECT OF MAJOR ENACTED LEGISLATION ON RECEIPTS <sup>1</sup>

(In billions of dollars)

	1986	1987	1988	1989	1990	1986-90
Economic Recovery Tax Act of 1981 .....	-209.8	-238.5	-258.7	-282.0	-309.4	-1,298.4
Tax Equity and Fiscal Responsibility Act of 1982 .....	46.7	56.8	58.8	58.2	59.9	280.4
Highway Revenue Act of 1982 .....	4.5	4.7	4.9	5.1	5.1	24.2
Social Security Amendments of 1983 .....	10.2	12.1	24.6	31.0	23.8	101.7
Interest and Dividends Tax Compliance Act of 1983 .....	-2.1	-1.7	-1.8	-2.0	-2.5	-10.0
Railroad Retirement Revenue Act of 1983 .....	1.1	1.1	1.0	1.1	1.1	5.4
Deficit Reduction Act of 1984 .....	16.1	22.0	25.3	27.7	31.1	122.1
Consolidated Omnibus Budget Reconciliation Act of 1985 .....	0.9	2.7	3.0	3.0	3.1	12.7
Federal Employees' Retirement System Act of 1986 .....		-0.4	-0.8	-0.8	-0.9	-2.9
Omnibus Budget Reconciliation Act of 1986 .....		2.6	2.8	2.4	1.0	8.8
Superfund Amendments and Reauthorization Act of 1986 .....		0.6	1.0	1.1	1.1	3.9
Continuing Resolution for 1987 .....		1.9	2.7	2.4	2.5	9.5
Tax Reform Act of 1986 <sup>2</sup> .....		18.6	0.9	-11.7	-9.0	-1.2
Net tax reduction .....	-132.4	-117.5	-136.4	-164.4	-193.1	-743.8
<b>ADDENDUM</b>						
Net effect on receipts by source:						
Individual income taxes .....	-134.4	-157.0	-186.2	-216.9	-238.6	-933.2
Corporation income taxes .....	-14.8	18.5	19.7	20.6	24.2	68.3
Social insurance taxes and contributions .....	11.3	13.8	27.3	33.4	25.1	110.9
Excise taxes .....	11.3	14.4	11.2	8.7	8.5	54.0
Estate and gift taxes .....	-5.9	-7.9	-9.2	-11.0	-12.4	-46.4
Customs duties .....	*	0.6	0.5	0.6	*	1.8
Miscellaneous receipts .....	0.1	0.2	0.3	0.1	0.1	0.8

\* \$50 million or less.

<sup>1</sup> These estimates are based on the direct effect only of legislative changes at a given level of economic activity. Induced effects on the economy are taken into account in forecasting incomes, however, and in this way affect the receipts estimates by major source and in total.<sup>2</sup> The Tax Reform Act of 1986 also increases outlays by the following amounts: 1987, \$0.1 billion; 1988, \$1.7 billion; 1989, \$2.8 billion; and 1990, \$2.8 billion. The cumulative amount for 1987-90 is \$7.4 billion.

The major provisions of the laws enacted in 1986 affecting receipts are described below.<sup>2</sup>

<sup>2</sup> For a more detailed discussion of the Economic Recovery Tax Act of 1981, see Part 4 of the 1983 *Budget*. A more detailed discussion of the Tax Equity and Fiscal Responsibility Act of 1982 and the Highway Revenue Act of 1982 is provided in Part 4 of the 1984 *Budget*. Detailed discussions of the Social Security Amendments of 1983, the Interest and Dividends Tax Compliance Act of 1983, and the Railroad Retirement Revenue Act of 1983 are provided in Part 4 of the 1985 *Budget*. The major provisions of the Deficit Reduction Act of 1984 are described in Part 4 of the 1986 *Budget*.



**TAX REFORM ACT OF 1986**

*Reduction in Individual Income Tax Rates.*—The 15 tax brackets and tax rates of prior law will be reduced to two tax brackets and two rates—15 and 28 percent—effective January 1, 1988. Beginning in 1988, the benefit of the 15 percent bracket will be phased out for taxpayers with taxable income exceeding specified levels, implicitly creating a marginal tax rate of 33 percent in the affected income range. These levels and the taxable income threshold at which the 28 percent rate applies will be adjusted annually for inflation beginning in 1989. A transitional tax rate schedule, consisting of five tax brackets and five tax rates—ranging from 11.0 percent to 38.5 percent—is in effect in 1987.

*Increase in Standard Deduction (Zero Bracket Amount).*—The zero bracket amount, which was \$3,670 for a married couple filing a joint return in 1986 and \$2,480 for a single taxpayer or a head of household, was replaced with a standard deduction. For a married couple filing a joint return, the standard deduction is \$3,760 in 1987 and will rise to \$5,000 in 1988. For a single taxpayer, the standard deduction is \$2,540 in 1987 and will rise to \$3,000 in 1988. For a head of household, the standard deduction is \$2,540 in 1987 and will rise to \$4,400 in 1988. Beginning in 1989, the standard deduction will be adjusted annually for inflation. For elderly or blind taxpayers, the standard deduction in 1987 will rise to \$5,000 on a joint return, \$3,000 on a single return, and \$4,400 on a head of household return. For 1987 and 1988, each elderly or blind individual will receive an additional standard deduction of \$600 if they are married or a surviving spouse, and \$750 if they are unmarried. These additional standard deductions will be adjusted annually for inflation beginning in 1989.

*Increase in Personal Exemption.*—The personal exemption was increased from \$1,080 in 1986 to \$1,900 in 1987, and will increase to \$1,950 in 1988, and to \$2,000 in 1989. The exemption will be indexed annually for inflation beginning in 1990. The additional exemptions provided elderly and blind individuals under prior law were repealed effective January 1, 1987, and replaced with the additional standard deductions discussed above.

*Repeal of Two-earner Deduction.*—Under prior law, two-earner married couples filing a joint return were allowed a deduction equal to the lesser of \$3,000 or 10 percent of the earnings of the lower-earning spouse. This deduction was repealed effective January 1, 1987.

*Repeal of Income Averaging.*—Under prior law, eligible individuals could apply a marginal tax rate that was lower than their



statutory rate to the portion of their taxable income that was more than 40 percent higher than their average taxable income for the prior 3 years. Income averaging was repealed for all taxpayers effective January 1, 1987.

*Limitation on Deduction for Medical Expenses.*—Under prior law, unreimbursed medical care expenses were deductible to the extent that they exceeded 5 percent of adjusted gross income (AGI). Effective January 1, 1987, the floor on the amount of deductible medical expenses was increased to 7.5 percent of AGI.

*Taxation of Unemployment Compensation Benefits.*—A portion of unemployment compensation benefits received under a Federal or State program was excluded from income subject to tax under prior law. Unemployment compensation benefits became fully taxable effective January 1, 1987.

*Limitation on Exclusion for Scholarship and Fellowship Income.*—Scholarship and fellowship income, which generally was excluded from tax under prior law, became taxable to the extent that it exceeds tuition and related expenses effective January 1, 1987.

*Increase in Earned Income Tax Credit.*—Under prior law, individuals with one or more children and earned income of less than \$11,000 were eligible for a refundable income tax credit. The credit was equal to 11 percent of the first \$5,000 of earned income, for a maximum credit of \$550. The amount of the credit was phased out for individuals with earned income (or, if greater, adjusted gross income) between \$6,500 and \$11,000. Effective January 1, 1987, the earned income tax credit was increased to 14 percent of the first \$6,080 of earned income, for a maximum credit of \$851. The amount of the credit is phased out for individuals with earned income (or, if greater, adjusted gross income) between \$6,920 and \$15,432. In 1988, the credit will be indexed for inflation and the phaseout range will be raised substantially. Depending on the exact inflation rate, the credit will be 14 percent of the first \$6,200 of earned income for a maximum credit of about \$865. The phase-out range will be approximately \$9,700 to \$18,400.

*Repeal of State and Local Sales Tax Deduction.*—The prior law itemized deduction for State and local sales taxes was repealed effective January 1, 1987.

*Repeal of Capital Gains Exclusion for Individuals.*—Under prior law, individuals were allowed to exclude 60 percent of their net long-term capital gains from tax, resulting in a maximum marginal tax rate on long-term capital gains of 20 percent. The net capital



gains exclusion was repealed effective January 1, 1987. Because of the transitional individual income tax rate schedule in effect in 1987, the law provides that net long-term capital gains for that year cannot be taxed at rates exceeding 28 percent.

*Limitation on Miscellaneous Itemized Deductions.*—Miscellaneous itemized deductions, such as union dues, tax preparation fees, and business periodicals, were fully deductible under prior law. In addition, moving expenses and certain employee business expenses such as unreimbursed travel and transportation costs, were deductible whether or not a taxpayer itemized deductions. Effective January 1, 1987, these items became itemized deductions and all but moving expenses are deductible only to the extent that they exceed 2 percent of adjusted gross income. Moving expenses are deductible without regard to the 2 percent floor.

*Limitation on Deductibility of Contributions to an Individual Retirement Account (IRA).*—Individuals who do not actively participate in an employer sponsored pension plan are allowed to deduct up to \$2,000 in annual contributions to an IRA (\$2,250 in annual contributions to a spousal IRA), as under prior law. Effective January 1, 1987, the deduction was eliminated for individuals who file a joint return if either spouse actively participates in an employer-sponsored plan and their adjusted gross income is greater than or equal to \$50,000; the maximum deductible contribution was phased out for such individuals with adjusted gross income between \$40,000 and \$50,000. The deduction was eliminated for single taxpayers who actively participate in an employer sponsored plan and have adjusted gross income greater than or equal to \$35,000; the maximum deductible contribution was phased out for such individuals with adjusted gross income between \$25,000 and \$35,000. However, employees not eligible for deductible IRAs, or whose incomes fall within the phaseout range and are eligible for only partial deductible IRAs, can contribute to non-deductible IRAs. Taxpayers will be able to make deductible contributions for 1986 up to the due date of their 1986 return, as under prior law.

*Limitation on Consumer Interest Deduction.*—The deductibility of interest on credit cards, car loans, student loans, and other consumer loans was repealed. The deductibility of interest on a principal residence or a second home was retained, provided the indebtedness does not exceed the purchase price of the property plus improvements, or any excess is used for certain educational or medical expenses. This limitation, which applies to all interest paid after December 31, 1986, will be phased in and become fully effective January 1, 1991.



*Limitation on Deductibility of Passive Losses.*—Losses from passive trade or business activities, which were fully deductible under prior law, are deductible only to the extent that they do not exceed passive income. An exception is provided for individuals who actively participate in rental real estate activities; these individuals are allowed to deduct up to \$25,000 in annual passive losses against other sources of income. However, the \$25,000 amount is reduced by 50 percent of the amount by which the taxpayer's adjusted gross income (excluding losses from passive activities) exceeds \$100,000. These limitations will be phased in beginning January 1, 1987, and will become fully effective January 1, 1991.

*Repeal of Investment Tax Credit.*—A credit against the income tax of up to 10 percent of a taxpayer's investment in depreciable property (generally not including buildings or their structural components) was allowed under prior law. This credit was repealed for most property placed in service after December 31, 1985. However, certain property will continue to be eligible for the investment credit for various periods through 1990.

*Reduction in Corporation Income Tax Rates.*—Under prior law, corporate income was subject to tax under a 5-bracket rate schedule, with rates ranging from 15 to 46 percent. The benefit of the graduated rate structure was phased out for corporations with taxable income in excess of \$1 million. Effective July 1, 1987, corporate income will be subject to tax under a 3-bracket rate schedule, with rates of 15, 25, and 34 percent. The benefit of the graduated rate structure is fully phased out for corporations with taxable income in excess of \$335,000.

*Modification of Accelerated Cost Recovery System (ACRS) of Depreciation.*—Under ACRS, personal property is depreciated over 3, 5, 10, or 15 years, under the 150 percent declining balance method. Real property generally is depreciated over 19 years under the 175 percent declining balance method. ACRS was modified for property placed in service after December 31, 1986. Under the modified system, personal property and certain real property are depreciated over 3, 5, 7, 10, 15, and 20 years; real property generally is depreciated over 27.5 years for residential rental property and 31.5 years for non-residential property. Each class of property is depreciated under prescribed depreciation methods. Property in the 3-, 5-, 7-, and 10-year classes is depreciated under the double declining balance method, switching to the straight line method. The 150 percent declining balance method, switching to the straight line method, is used to depreciate 15- and 20-year property. The straight line method is used to depreciate 27.5- and 31.5-year property.



*Extension of Research and Experimentation Credit.*—The 25 percent credit provided certain incremental research and experimentation expenditures paid or incurred in carrying on an existing trade or business was extended, at a reduced 20 percent rate, from January 1, 1986 through December 31, 1988. The credit had expired December 31, 1985.

*Modification of Alternative Minimum Tax (AMT) for Individuals.*—Under prior law, the AMT was equal to 20 percent of an individual's AMT taxable income (regular adjusted gross income plus certain tax preferences) less an exemption amount (\$40,000 for a married couple filing a joint return and \$30,000 for a single taxpayer). Effective January 1, 1987, the AMT tax rate was increased to 21 percent and the computation of certain tax preferences was modified. In addition, the exemption amount was phased out for married taxpayers with AMT taxable income exceeding \$150,000 and for single taxpayers with AMT taxable income exceeding \$112,500.

*Replacement of Corporate Add-on Minimum Tax With an Alternative Minimum Tax.*—The corporate add-on minimum tax of prior law was replaced with an alternative minimum tax (AMT) effective January 1, 1987. The AMT is equal to 20 percent of a corporation's AMT taxable income (regular taxable income plus certain adjustments and preferences) less a \$40,000 exemption. The exemption is phased out for corporations with alternative minimum taxable income in excess of \$150,000. The excess, if any, of the AMT over the regular corporation income tax may generally be credited against future regular tax payments.

*Limitation on Deductibility of Investment Interest.*—Under prior law, investment interest was deductible to the extent of net investment income (the excess of investment income over investment expenses) plus \$10,000. This Act limited the deductibility of investment interest to the extent of net investment income. This limitation, which applies to all interest paid after December 31, 1986, will be phased in and become fully effective January 1, 1991.

*Deductibility of Health Insurance Costs of Self-Employed Individuals.*—Effective January 1, 1987 through December 31, 1989, 25 percent of the amount paid for health insurance on behalf of a self-employed individual and the individual's spouse and dependents is deductible, provided the health insurance satisfies nondiscrimination requirements.

*Limitation on the Issuance of Tax-Exempt Bonds.*—Two existing State-by-State volume caps on the issuance of private activity bonds (those financing loans to industry or to individuals for mort-



gages or student loans) were combined into a single tighter volume cap. Bonds issued for certain purposes such as pollution control and sports facilities will no longer be tax exempt; on the other hand, prior law sunsets for both single family mortgage revenue bonds and certain industrial development bonds were each extended by one year. The number of advance refundings of tax-exempt bonds was limited and the ability to earn arbitrage by investing proceeds of tax-exempt bonds in taxable instruments was reduced. These changes generally apply to bonds issued after August 15, 1986.

*Increase in Taxpayer Compliance.*—The tax penalty for understatement of tax was increased from 10 percent to 20 percent; penalties for fraud, failure to file information returns, and failure to pay penalties were increased; the interest rate on tax deficiencies was increased; and information reporting requirements were expanded.

*Limitation on Deduction for Business Meals and Entertainment.*—Expenses for business meals and entertainment were fully deductible under prior law. Effective January 1, 1987, this deduction was limited to 80 percent of expenses incurred.

*Repeal of Dividend Exclusion for Individuals.*—The \$200 dividend exclusion for married couples filing a joint return (\$100 for single taxpayers) was repealed effective January 1, 1987.

*Changes in Requirements for Qualified Pensions.*—Effective January 1, 1987, the amount an employee can exclude from his adjusted gross income under a qualified cash or deferred arrangement with his employer was limited to \$7,000 per year. The amount an employee may exclude from his taxable income by his own contribution to a tax-sheltered annuity cannot exceed \$9,500 per year. Existing nondiscrimination rules were tightened and qualified pension plans were required to cover a broader group of employees. To improve income security after retirement for individuals who change jobs, an individual's employer-provided pension benefits must vest more rapidly than under prior law.

#### CONSOLIDATED OMNIBUS BUDGET RECONCILIATION ACT OF 1985 (COBRA)

*Extension of Cigarette Excise Tax.*—The 16 cents per pack cigarette excise tax, which was scheduled to decline to eight cents per pack effective March 15, 1986, was permanently extended.

*Taxation of Smokeless Tobacco.*—Effective July 1, 1986, an excise tax of eight cents per pound was imposed on chewing tobacco and an excise tax of 24 cents per pound was imposed on snuff.



*Increase in Excise Tax on Coal Production.*—The excise tax on coal production was increased to the lesser of \$1.10 per ton for coal from underground mines and 55 cents per ton for coal from surface mines, or 4.4 percent of the sales price. These taxes became effective April 1, 1986.

*Extension of Medicare (HI) Coverage to New State and Local Government Employees.*—Medicare coverage was extended to all State and local government employees hired after March 31, 1986, for services performed after that date. States also were allowed to extend medicare coverage (without extending coverage for social security benefits) to State and local government employees hired prior to April 1, 1986, by means of a voluntary agreement with the Secretary of Health and Human Services.

*Repeal of Income Averaging for Former Students.*—Effective January 1, 1986, income averaging was repealed for individuals who were full-time students during any of the preceding three years.<sup>3</sup>

#### FEDERAL EMPLOYEES' RETIREMENT SYSTEM ACT OF 1986

*Establishment of Federal Employees' Retirement System (FERS).*—Federal employees hired after December 31, 1983 are covered under FERS and social security. These employees are contributing 1.3 percent of their pay to FERS in 1987, and will contribute 0.94 percent in 1988 and 1989, and 0.8 percent beginning in 1990. Employees hired before January 1, 1984, who are currently covered under the Civil Service Retirement System (CSRS), may make an irrevocable election to join FERS and social security between July 1, 1987 and December 31, 1987.

*Establishment of Thrift Savings Fund.*—After an initial transition period, employees covered under FERS may contribute up to 10 percent of their pay to a special tax deferred savings plan. The employing agency automatically contributes 1 percent of pay into each employee's thrift plan, even if the employee contributes nothing. The agency will match 100 percent of the first 3 percent of pay contributed by the employee, and 50 percent of the next 2 percent of pay contributed by the employee.<sup>4</sup> After an initial transition period, employees covered under CSRS may contribute up to 5 percent of pay to the thrift fund; however, the employing agency will not match the contributions of these employees.<sup>5</sup>

<sup>3</sup> The Tax Reform Act of 1986 subsequently repealed income averaging for all taxpayers, as discussed above.

<sup>4</sup> The Omnibus Budget Reconciliation Act of 1986 delayed the effective date of the Thrift Savings Fund from January 1, 1987 to April 1, 1987, but increased the maximum allowable employee contribution to 15 percent of pay through September 30, 1987.

<sup>5</sup> The Omnibus Budget Reconciliation Act of 1986 changed the date on which employees covered under CSRS may begin contributing to the thrift plan from July 1, 1987 to April 1, 1987. This Act also increased the maximum allowable contribution of these employees to 7.5 percent of pay through September 30, 1987.



**OMNIBUS BUDGET RECONCILIATION ACT OF 1986**

*Elimination of 3 Percent Threshold for Social Security Cost-of-Living Increases.*—Under prior law, social security benefits were not provided a cost-of-living adjustment (COLA) if the consumer price index (CPI) increased by less than 3 percent. The maximum level of wages and salaries subject to the social security (OASDHI) payroll tax was adjusted annually for inflation only if a COLA was provided. This 3 percent threshold was eliminated, effective the date of enactment.

*Acceleration of State and Local Deposit of Social Security Payroll Taxes.*—Under prior law, States were required to make semi-monthly deposits of social security taxes on their own behalf and for sub-State entities. Private employers and the Federal Government deposit these taxes under a more timely, flexible schedule. Effective for social security taxes on wages paid after December 31, 1986, States are no longer liable for deposit of taxes by sub-State entities. In addition, State and local government employers are subject to the same deposit schedule, and the same interest charges and penalties for late deposit, as private employers.

*Acceleration of Collection of Certain Excise Taxes.*—Under prior law, excise taxes on alcohol and tobacco products were paid semi-monthly, with payments due 15 to 30 days after the close of each semi-monthly period. Effective for semi-monthly periods ending on or after December 31, 1986, excise taxes on these products are due 14 days after the close of the semi-monthly period.

*Increases in Certain Tax Penalties.*—The penalty for failure to comply with deposit requirements was increased from 5 percent to 10 percent effective for all penalties assessed after the date of enactment. The penalty for substantial understatement of tax was increased from 10 percent to 25 percent, effective for such penalties assessed after the date of enactment.

*Increase in Customs User Fee.*—An ad valorem tax of 0.22 percent was imposed on the value of imported merchandise. This tax, which was in addition to the customs processing fee on certain passengers and conveyances required under prior law, will decline to 0.17 percent effective October 1, 1988, and expire September 30, 1989.

**SUPERFUND AMENDMENTS AND REAUTHORIZATION ACT  
OF 1986**

*Reauthorization of Hazardous Substance Response Trust Fund (Superfund).*—To help finance a 5-year extension of the Superfund



toxic waste cleanup program, the following taxes became effective January 1, 1987:

- Excise taxes of 8.2 cents per barrel and 11.7 cents per barrel were levied on domestic crude oil and imported petroleum products, respectively. Under the prior law authorization, which expired September 30, 1985, importers and domestic producers were taxed at a rate of 0.79 cent per barrel.
- The excise taxes imposed on the sale of 42 organic and inorganic substances generally remained at their prior law rates. The excise tax on xylene was increased from its prior law rate of \$4.87 per ton to \$10.13 per ton.
- A broad-based tax, equal to 0.12 percent of alternative minimum taxable income in excess of \$2 million, was imposed on all corporations.

*Establishment of Leaking Underground Storage Tank (LUST) Trust Fund.*—To help finance the cleanup of wastes from leaking underground petroleum storage tanks, which pose a threat to drinking water, a 0.1 cent per gallon excise tax was imposed on gasoline, diesel fuels and other special motor fuels effective January 1, 1987.

#### CONTINUING RESOLUTION FOR FISCAL YEAR 1987

*Increase in Internal Revenue Service (IRS) Funding.*—Funds were provided IRS for additional examiners; additional staff to handle appeals and litigation related to tax shelters; an automated examination system; and a system to match information documents supplied by third parties against taxpayer returns. These increases in staffing and equipment will help IRS close the gap between taxes owed and taxes paid.

*Establishment of Immigration and Naturalization Service (INS) Inspection Fee.*—To cover the cost of immigration inspection and pre-inspection services, a fee of \$5 was levied on each passenger arriving at a port of entry in the United States, or receiving pre-inspection prior to such arrival. Passengers entering from Canada, Mexico, or a territory or possession of the United States are exempted from this fee, which generally applies to immigration inspection services rendered after November 30, 1986 and before December 1, 1988.



EFFECT OF MAJOR LEGISLATION ENACTED IN 1986 ON RECEIPTS <sup>1</sup>

(In billions of dollars)

	1986	1987	1988	1989	1990
<b>Consolidated Omnibus Budget Reconciliation Act of 1985</b>					
Individual income taxes.....	— *	0.1	0.2	0.2	0.3
Corporation income taxes.....	— 0.2	— 0.2	— 0.1	— 0.1	— 0.1
Social insurance taxes and contributions.....	*	0.3	0.4	0.5	0.6
Excise taxes.....	1.2	2.3	2.3	2.3	2.3
Customs duties.....	*	0.2	0.2	0.2	*
Total, Consolidated Omnibus Budget Reconciliation Act of 1985.....	0.9	2.7	3.0	3.0	3.1
<b>Federal Employees' Retirement System Act of 1986</b>					
Individual income taxes.....		— 0.1	— 0.7	— 0.7	— 0.8
Social insurance taxes and contributions.....		— 0.3	— 0.2	— *	— 0.1
Total, Federal Employees' Retirement System Act of 1986.....		— 0.4	— 0.8	— 0.8	— 0.9
<b>Omnibus Budget Reconciliation Act of 1986</b>					
Individual income taxes.....		0.7	0.7	0.7	0.8
Corporation income taxes.....		0.1	*	0.1	0.1
Social insurance taxes and contributions.....		1.1	1.5	1.1	0.1
Excise taxes.....		0.4	*	*	*
Customs duties.....		0.4	0.4	0.4	*
Miscellaneous receipts.....			0.1		
Total, Omnibus Budget Reconciliation Act of 1986.....		2.6	2.8	2.4	1.0
<b>Superfund Amendments and Reauthorization Act of 1986</b>					
Individual income taxes.....		— 0.1	— 0.2	— 0.2	— 0.2
Corporation income taxes.....		0.2	0.4	0.4	0.4
Excise taxes.....		0.6	0.9	0.9	0.9
Total, Superfund Amendments and Reauthorization Act of 1986.....		0.6	1.0	1.1	1.1
<b>Continuing Resolution for 1987</b>					
Individual income taxes.....		1.1	1.4	1.2	1.3
Corporation income taxes.....		0.8	1.2	1.2	1.2
Social insurance taxes and contributions.....		— 0.1	— *	— *	— *
Miscellaneous receipts.....		0.1	0.1	*	
Total, Continuing Resolution for 1987.....		1.9	2.7	2.4	2.5
<b>Tax Reform Act of 1986</b>					
Individual income tax provisions:					
Individual income taxes.....		— 37.7	— 48.6	— 62.7	— 69.1
Corporation income taxes.....		1.4	2.2	2.2	2.4
Social insurance taxes and contributions.....		0.1	0.1	0.1	0.1
Subtotal, individual income tax provisions.....		— 36.3	— 46.3	— 60.3	— 66.6
Capital cost provisions:					
Individual income taxes.....		4.7	3.9	5.3	6.7
Corporation income taxes.....		18.9	17.1	23.3	29.0
Subtotal, capital cost provisions.....		23.6	21.0	28.6	35.7



## EFFECT OF MAJOR LEGISLATION ENACTED IN 1986 ON RECEIPTS—Continued

(In billions of dollars)

	1986	1987	1988	1989	1990
Accounting provisions:					
Individual income taxes.....		0.3	1.3	1.2	1.2
Corporation income taxes.....		8.9	12.6	11.8	11.1
Subtotal, accounting provisions.....		9.2	14.0	13.0	12.3
Capital gains:					
Individual income taxes.....		12.5	-1.5	-0.1	3.4
Corporation income taxes.....		0.5	0.9	1.0	1.2
Subtotal, capital gains.....		13.0	-0.6	1.0	4.6
Compliance and administration:					
Individual income taxes.....		2.2	1.1	2.4	2.5
Corporation income taxes.....		0.1	0.3	0.4	0.5
Excise taxes.....		0.1	*	*	*
Estate and gift taxes.....			*	*	*
Subtotal, compliance and administration.....		2.4	1.4	2.7	3.0
Corporate and general business taxation:					
Individual income taxes.....		0.1	-0.4	-0.9	-0.9
Corporation income taxes.....		-6.2	-17.7	-25.8	-29.7
Excise taxes.....			*	*	*
Subtotal, corporate and general business taxation.....		-6.0	-18.0	-26.7	-30.6
Interest expense (individual income taxes).....		1.2	3.1	4.6	5.8
Minimum tax provisions:					
Individual income taxes.....		1.4	3.7	0.9	-0.5
Corporation income taxes.....		2.7	4.6	4.8	4.2
Subtotal, minimum tax provisions.....		4.1	8.3	5.7	3.7
Pensions and employee benefits:					
Individual income taxes.....		3.2	8.4	8.2	9.0
Corporation income taxes.....		1.2	0.9	0.2	-0.1
Social insurance taxes and contributions.....		-0.1	*	*	*
Excise taxes.....		0.2	0.1	*	*
Estate and gift taxes.....		-0.7	-0.6	-1.2	-1.9
Subtotal, pensions and employee benefits.....		3.8	8.7	7.2	7.0
Research and development provisions:					
Individual income taxes.....		-*	-*	-*	-*
Corporation income taxes.....		-1.7	-1.2	-0.7	-0.4
Subtotal, research and development provisions.....		-1.7	-1.2	-0.8	-0.4
Tax shelters and real estate:					
Individual income taxes.....		0.8	3.4	5.7	8.0
Corporation income taxes.....		*	-0.2	-0.6	-1.0
Subtotal, tax shelters and real estate.....		0.8	3.3	5.1	7.0
Other:					
Individual income taxes.....		1.9	1.3	1.2	1.2
Corporation income taxes.....		2.4	5.5	6.9	8.2
Excise taxes.....		*	0.3	0.2	0.2



## EFFECT OF MAJOR LEGISLATION ENACTED IN 1986 ON RECEIPTS—Continued

(In billions of dollars)

	1986	1987	1988	1989	1990
Subtotal, other.....		4.3	7.2	8.3	9.6
Total, Tax Reform Act of 1986 <sup>a</sup> .....		18.6	0.9	-11.7	-9.0
<b>ADDENDUM</b>					
Total effect on receipts by source:					
Individual income taxes.....	—*	-7.7	-22.8	-33.0	-31.4
Corporation income taxes.....	-0.2	29.1	26.7	24.9	26.9
Social insurance taxes and contributions.....	*	0.9	1.8	1.6	0.8
Excise taxes.....	1.2	3.7	3.7	3.5	3.5
Estate and gift taxes.....		-0.7	-0.6	-1.2	-1.9
Customs duties.....	*	0.6	0.5	0.6	*
Miscellaneous receipts.....		0.1	0.2	*	
Total.....	0.9	26.0	9.5	-3.5	-2.1

\* \$50 million or less.

<sup>a</sup> These estimates are based on the direct effect only of legislative changes at a given level of economic activity. Induced effects on the economy are taken into account in forecasting incomes, however, and in this way affect the receipts estimates by major source and in total.<sup>b</sup> The Tax Reform Act of 1986 also increases outlays by the following amounts: 1987, \$0.1 billion; 1988, \$1.7 billion; 1989, \$2.8 billion; and 1990, \$2.8 billion.

## RECEIPTS PROPOSALS

The President believes firmly that tax reform must not be undone with income tax rate increases, and has pledged to oppose any such attempt to raise taxes. In keeping with this pledge, the receipt changes proposed in this budget are limited to initiatives to collect taxes owed but not paid, increased user charges for Federal services, and trust fund reforms. Together, these changes are estimated to increase receipts \$6.1 billion in 1988. The major changes being proposed are discussed below.

*Internal Revenue Service (IRS) Initiatives.*—As a result of the Tax Reform Act of 1986, the tax system is simpler and fairer, making it easier for taxpayers to pay the correct amount of taxes and for IRS to determine how much each taxpayer owes. The administration proposes to increase IRS funding in 1988 to ensure the smooth implementation of tax reform, to improve tax law enforcement, and to close the gap between taxes owed and taxes paid. These initiatives are estimated to increase 1988 receipts by \$2.4 billion. This increase is in addition to the \$5.0 billion in 1988 receipts (reflected in the current services receipts estimates) that is estimated to result from increased taxpayer compliance due to tax reform, recent increases in penalties, and more effective enforcement.

*Extension of Medicare Hospital Insurance (HI) Coverage to All State and Local Government Employees.*—A minority of State and local government employees who were hired prior to April 1, 1986 may not be assured of medicare coverage. Moreover, because of



eligibility through their spouse or short periods of work in covered employment, as many as three out of four State and local employees who contribute nothing to the program are entitled to the full range of medicare benefits. Coverage of these employees, who are the only major group of employees not assured of medicare coverage, would eliminate this drain on the medicare trust fund. This change in coverage, proposed to be effective January 1, 1988, is estimated to increase receipts \$1.6 billion in 1988.

*Repeal of Exemptions from Gasoline and Other Highway Excise Taxes.*—Under current law, gasohol and certain other alcohol fuels are exempted from Federal excise taxes on gasoline and diesel fuel. Public bus operators are fully exempted from Federal gasoline, diesel fuel, and other highway excise taxes; in general, private bus operators are fully or partially exempted from these taxes. State and local governments are exempted from all Federal highway excise taxes. Consistent with its position that highway users should pay taxes that correspond to the wear and tear that they cause the highway system, the administration proposes to repeal these exemptions effective October 1, 1987, resulting in increased receipts to the highway trust fund of \$0.8 billion in 1988.

*Increase in Contribution to the Rail Industry Pension Fund.*—Financing legislation for the rail industry pension fund enacted in 1974, 1981, and 1983 was based on what have proven to be optimistic assumptions, and Railroad Retirement Board actuaries now recommend raising rail pension finances. To protect the solvency of the fund, the administration proposes to increase rail pension contributions 1.5 percent effective January 1, 1988, and an additional 1.5 percent effective January 1, 1989. These changes are estimated to increase receipts \$0.1 billion in 1988 and \$0.3 billion in 1989.

*Requirement that Employers Pay the Employer Portion of the Social Security (OASDHI) Payroll Tax on Total Tips.*—Under current law, employees must pay their portion of the OASDHI payroll tax on the total amount of cash tips; the liability of their employers, however, generally is limited to the amount of tips considered to be wages under the Federal minimum wage law. Benefits are based on the total amount of cash tips. To eliminate this cross subsidy from other employers, the administration proposes that the employer contribution be based on the total amount of cash tips. This proposal is estimated to increase 1988 receipts by \$0.2 billion.

*Increase in Excise Tax on Coal Production.*—The excise tax paid by coal mine operators is insufficient to cover the cost of medical and income replacement benefits for miners disabled by the black lung disease, for which those operators are legally responsible. The black lung disability trust fund will be \$2.9 billion in debt by the



end of 1988, even though the Federal Government has assumed responsibility for paying almost \$1 billion a year in income replacement benefits for some miners and the general taxpayer currently is required to pay the interest cost on the amounts the trust fund has borrowed. The administration proposes to increase the excise tax receipts to the trust fund by \$357 million in 1988 and to repeal the requirement that the general taxpayer pay the interest costs. These changes, together with modest benefit reforms, would eliminate the trust fund deficit by the year 2007.

*Extension of Social Security (OASDHI) Coverage to Certain Earnings.*—Under current law some 1.4 million Armed Forces reservists do not receive social security credit for their inactive duty earnings, because inactive duty training has not been covered employment. Earnings from full time active duty or active duty training are covered. The administration proposes to extend coverage to inactive duty earnings. The administration also proposes to extend coverage to certain students and agricultural workers, children age 18-21 employed by their parents, and spouses employed by the other spouse. The proposal would also conform the social security treatment of group term life insurance to the income tax treatment. These changes, proposed to become effective January 1, 1988, are estimated to increase receipts \$0.3 billion in 1988.

*Increase in Customs User Fee.*—Last year Congress enacted an ad valorem tax on imports of 0.22 percent of value in 1987, dropping to 0.17 percent in 1988, and expiring September 30, 1989. In implementing this change, Congress exempted imports with American-made components. The administration proposes to correct this technical deficiency to ensure that the costs of services provided by the U.S. Customs Service are borne by the users of those services and not the general taxpayer. The administration also proposes to extend the fee beyond its scheduled expiration date. This proposal is estimated to increase receipts \$0.1 billion in 1988.

*Extension of Federal/State Unemployment Insurance Coverage to Railroad Employment.*—Railroad employment is the only sector not covered by the Federal/State unemployment insurance system. The separate Railroad Sickness and Unemployment Insurance Fund (RSUI), which is financed by payroll taxes paid by rail employers, is deeply in debt to the rail pension fund. Rail pension actuaries have recommended immediate action to begin improving the solvency of the rail pension fund. This fund cannot afford to be a "rich uncle" to the unemployment fund when it is facing potentially serious financial problems.

To ensure sound financing of rail unemployment benefits and repayment of debts to the financially ailing rail pension fund, the



administration is renewing its proposal that Federal/State unemployment insurance coverage be extended to railroad employment. Under a transitional Federal program, all rail workers becoming unemployed after September 30, 1987 would be eligible for generally higher benefits under the Federal/State system. Existing RSUI debt repayment contributions from rail employers would remain in place to finance sickness payments and ensure that RSUI's debt to the rail pension fund is repaid. This proposal is estimated to increase receipts by \$0.1 billion in 1988.

*Initiation of Internal Revenue Service (IRS) Fees.*—The administration is again proposing that the IRS impose fees on letters of determination and private letter rulings. The IRS, upon written request by a taxpayer, will issue a private letter ruling to give assurance of the IRS position on a transaction under consideration. This ensures that the transaction can be completed in such a way that it will not be challenged by the Government. Determination letters primarily concern employee benefit plans and tax exempt organizations. These fees, proposed to become effective October 1, 1987, are estimated to increase receipts by \$0.1 billion in each year, beginning in 1988.

*Initiation of Rail Sector Financing of a Portion of Windfall Subsidy.*—The Federal Government subsidizes 100 percent of the windfalls created when railroad retirement and social security benefits were uncoordinated. Prior to 1985, railroad retirees covered under both social security and railroad retirement received higher benefits than they would have received had all employment been covered under railroad retirement. Congress enacted legislation in 1974 to stop accrual of these additional benefits, or windfalls, and authorized 25 level annual appropriations to fund remaining windfalls. The General Accounting Office has found that rail industry funded pensions are reduced by some 25 percent of windfall amounts, and has suggested that it may be more accurate to subsidize only 75 percent of total windfall costs. Consistent with the administration's policy of limiting subsidies provided to higher income recipients of Federal benefits, rail sector financing of 25 percent of windfall benefits is being repropounded. This change, proposed to become effective October 1, 1987, is estimated to reduce the annual windfall subsidy of some \$1,100 per employee to about \$820 in a sector with average annual wages of some \$40,000 per rail worker. This proposal is estimated to increase receipts \$0.1 billion in each year, beginning in 1988.

*Increase in the District of Columbia (D.C.) Employer Contribution to the Civil Service Retirement System (CSRS).*—The D.C. Government currently contributes 7 percent of wages and salaries to



CSRS; D.C. Government employees contribute an additional 7 percent. The cost of civil service retirement exceeds the combined contribution of the D.C. Government and its employees. Beginning in 1988, the administration proposes to increase the D.C. Government employer contribution as necessary to cover the full cost of the program.<sup>6</sup> This proposal is estimated to increase receipts by small amounts in each year.

*Increase in Fees on Nuclear Power Plants.*—The administration is proposing increasing existing fees to recover 50 percent of Nuclear Regulatory Commission (NRC) and Federal Emergency Management Administration (FEMA) costs for regulating nuclear power plants. It is estimated that these fees will increase receipts \$0.1 billion in each year, beginning in 1987.

*Other.*—Additional changes being proposed include: extension of the Immigration and Naturalization Service inspection fees at current rates; inclusion of income replacement benefits for miners disabled by the black lung disease in taxable income; initiation of Federal marine fishing license fees for commercial and recreational fishing; increases in fees for services provided by the Treasury's Bureau of Alcohol, Tobacco, and Firearms; and repeal of the wind-fall profit tax.

#### EFFECT OF ENACTED AND PROPOSED CHANGES ON RECEIPTS

The actual change in receipts that will result from an enacted or proposed tax revision will depend on both the direct effect of the tax change and the indirect or "feedback" effect. The direct effect is the increase or decrease in receipts due only to the tax change at the levels of income reflected in the administration's forecast. The indirect or feedback effect is the increase or decrease in receipts due to the effect of the tax change on income levels.

The estimates of the effect of enacted and proposed tax changes shown in this budget represent the direct effect of these changes on receipts, based on the levels of corporate and individual income reflected in the administration's forecast. These levels of income already reflect enactment of the tax change; therefore, the estimated indirect or feedback effect on receipts due to the tax-induced change in incomes is already included in the baseline (pre-tax change) estimates of receipts.

For example, the estimates of the effect of the Economic Recovery Tax Act of 1981 (ERTA) shown in this budget represent only the direct effect of the changes provided in the Act, based on the

<sup>6</sup> The administration proposes to increase the contribution of the Postal Service in the same way. Contributions of the Postal Service to CSRS are shown on the outlay side of the budget and do not affect receipts.



EFFECT OF PROPOSED LEGISLATION AND ADMINISTRATIVE ACTION ON RECEIPTS <sup>1</sup>

(in billions of dollars)

	1987	1988	1989	1990
IRS initiatives.....		2.4	3.1	3.3
Extend HI coverage to State and local employees.....		1.6	2.2	2.2
Repeal gasoline and other highway tax exemptions <sup>2</sup> .....		0.6	0.6	0.6
Increase contribution to rail industry pension fund.....		0.1	0.3	0.3
Require employer tax on total tips <sup>2</sup> .....		0.2	0.3	0.3
Increase tax on coal production <sup>2</sup> .....		0.3	0.3	0.3
Extend OASDHI coverage to certain earnings.....		0.3	0.3	0.4
Customs user fee <sup>2</sup> .....	*	0.1	0.1	0.5
Railroad unemployment insurance coverage.....		0.1	0.2	0.2
IRS user fees.....		0.1	0.1	0.1
Railroad windfall subsidy financing.....		0.1	0.1	0.1
D.C. employer contribution to CSRS.....		*	*	*
Nuclear power plant fees.....	0.1	0.1	0.1	0.1
Other.....		0.1	0.4	0.4
Total.....	0.1	6.1	8.0	8.6
<b>ADDENDUM</b>				
Effect of proposals on receipts by source:				
Individual income taxes.....	—*	1.1	1.4	1.4
Corporation income taxes.....		1.0	1.5	1.5
Social insurance taxes and contributions.....		2.4	3.5	3.5
On-budget.....		(2.0)	(2.9)	(2.9)
Off-budget.....		(0.4)	(0.6)	(0.6)
Excise taxes.....		1.2	1.2	1.2
Other.....	0.1	0.4	0.5	1.0
Total.....	0.1	6.1	8.0	8.6
On-budget.....	(0.1)	(5.8)	(7.5)	(8.0)
Off-budget.....		(0.4)	(0.6)	(0.6)

\* \$50 million or less.

<sup>1</sup> These estimates are based on the direct effect only of legislative changes at a given level of economic activity. Induced effects on the economy are taken into account in forecasting incomes, however, and in this way affect the receipts estimates by major sources and in total.<sup>2</sup> Net of income tax offsets.

levels of income reflected in the administration's forecast. These levels of income already reflect enactment of ERTA. The increased receipts resulting from the tax-induced increase in incomes therefore are included in the baseline estimates of receipts. The estimates of the direct effect of the Economic Recovery Tax Act of 1981 on receipts therefore overstate, in this sense, the net loss to the Treasury of the income tax reductions and other tax changes provided in the Act.

The estimates in this budget of the effect of the administration's proposals on receipts also represent only the direct effect of these changes. The indirect effect of these proposals is likewise included in the baseline estimates of receipts.

## CHANGES IN RECEIPTS

Receipts are estimated to increase by \$73.3 billion in 1987, \$74.2 billion in 1988, \$59.6 billion in 1989, and \$72.1 billion in 1990. These year-to-year changes can be divided between changes due to



growth in the tax base and changes due to revisions in the tax structure. For example, under the tax rates and structure in effect on January 1, 1981, receipts would have risen by \$77.6 billion in 1988. The combined effect of administrative action and enacted and proposed tax law changes reduces the growth in 1988 receipts by \$3.4 billion.

## COMPONENTS OF CHANGES IN RECEIPTS

(in billions of dollars)

	1987	1988	1989	1990
Growth in receipts:				
Under existing law and administrative action and proposed legislation .....	73.3	74.2	59.6	72.1
Under tax rates and structure in effect January 1, 1981 .....	53.1	77.6	77.0	74.5
Difference .....	20.2	-3.4	-17.4	-2.4



## CHANGES IN RECEIPTS

(In billions of dollars)

	1986	1987	1988	1989	1990
<b>Receipts under tax rates and structure in effect January 1, 1981 <sup>1</sup></b> .....	868.6	921.6	999.2	1,076.2	1,150.7
<b>Administrative action</b> .....	0.2	0.3	1.0	0.9	0.2
<b>Enacted legislative changes:</b>					
Economic Recovery Tax Act of 1981 .....	-209.8	-238.5	-258.7	-282.0	-309.4
Tax Equity and Fiscal Responsibility Act of 1982 .....	46.7	56.8	58.8	58.2	59.9
Highway Revenue Act of 1982 .....	4.5	4.7	4.9	5.1	5.1
Social Security Amendments of 1983 <sup>2</sup> .....	8.2	9.5	11.0	12.1	15.3
Interest and Dividends Tax Compliance Act of 1983 .....	-2.1	-1.7	-1.8	-2.0	-2.5
Railroad Retirement Revenue Act of 1983 .....	1.1	1.1	1.0	1.1	1.1
Deficit Reduction Act of 1984 .....	16.1	22.0	25.3	27.7	31.1
Consolidated Omnibus Budget Reconciliation Act of 1985 .....	0.9	2.7	3.0	3.0	3.1
Federal Employees' Retirement System Act of 1986 .....		-0.4	-0.8	-0.8	-0.9
Omnibus Budget Reconciliation Act of 1986 <sup>3</sup> .....		1.9	1.5	2.3	1.0
Superfund Amendments and Reauthorization Act of 1986 <sup>4</sup> .....		0.4	0.8	0.9	0.9
Continuing Resolution for 1987 .....		1.9	2.7	2.4	2.5
Tax Reform Act of 1986 <sup>5</sup> .....		18.6	0.9	-11.7	-9.0
Social security taxable earnings base increases: <sup>6</sup>					
\$29,700 to \$32,400 on Jan. 1, 1982 .....	5.1	5.9	6.7	7.7	8.7
\$32,400 to \$35,700 on Jan. 1, 1983 .....	5.0	5.8	6.7	7.8	8.9
\$35,700 to \$37,800 on Jan. 1, 1984 .....	2.5	3.0	3.5	4.1	4.8
\$37,800 to \$39,600 on Jan. 1, 1985 .....	2.0	2.3	2.8	3.3	3.8
\$39,600 to \$42,000 on Jan. 1, 1986 .....	0.9	2.7	3.2	3.8	4.5
\$42,000 to \$43,800 on Jan. 1, 1987 .....		0.7	2.1	2.5	3.0
\$43,800 to \$45,300 on Jan. 1, 1988 .....			0.6	1.9	2.2
\$45,300 to \$47,400 on Jan. 1, 1989 .....				1.0	3.0
\$47,400 to \$50,100 on Jan. 1, 1990 .....					1.3
Social security (OASDHI) tax rate increases: <sup>6 7</sup>					
13.3% to 13.4% effective Jan. 1, 1982 .....	1.6	1.7	1.8	1.9	2.0
13.4% to 14.0% effective Jan. 1, 1984 .....	11.6	12.3	13.2	13.9	14.6
14.0% to 14.1% effective Jan. 1, 1985 .....	2.2	2.3	2.5	2.6	2.8
14.1% to 14.3% effective Jan. 1, 1986 .....	2.7	4.1	4.5	4.7	5.0
14.3% to 15.02% effective Jan. 1, 1988 .....			10.6	15.7	16.6
15.02% to 15.3% effective Jan. 1, 1990 .....					5.3
Other .....	1.2	0.7	3.4	3.8	4.1
<b>Proposed legislation and administrative action</b> .....		0.1	6.1	8.0	8.6
<b>Total, receipts under existing and proposed legislation and administrative action <sup>8</sup></b> .....	769.1	842.4	916.6	976.2	1,048.3

<sup>1</sup> These figures assume a social security taxable earnings base of \$29,700 through 1990.<sup>2</sup> Excludes the effect of increases in the OASDHI tax rate that are shown below.<sup>3</sup> Excludes the effect of increases in the social security taxable earnings base that are shown below.<sup>4</sup> These estimates represent the net increase in receipts relative to receipts under the tax rates in effect January 1, 1981.<sup>5</sup> The Tax Reform Act of 1986 also increases outlays by the following amounts: 1987, \$0.1 billion; 1988, \$1.7 billion; 1989, \$2.8 billion; and 1990, \$2.8 billion.<sup>6</sup> When the tax rate and the taxable earnings base increase at the same time, dividing up the total effect on receipts is arbitrary to some small extent because of an interaction effect. The increase in receipts due to this interaction effect is attributed to the rate and base changes in proportion to the increases in receipts that would occur if the rate and base were each changed separately.<sup>7</sup> The combined employer-employee old age and survivors, disability, and hospital insurance (OASDHI) tax rate.<sup>8</sup> These estimates include both the direct and indirect effects of administrative action and legislative changes.



## RECEIPTS BY SOURCE

*Individual Income Taxes.*—Individual income taxes are estimated to increase by \$86.8 billion or 23.9 percent from 1987 to 1990, largely due to increases in incomes resulting from both real economic growth and inflation. These estimates reflect the legislated changes in individual income taxes provided since this administration took office, and the proposed changes reflected in this budget. The administration's IRS initiatives and other proposals are estimated to add \$3.9 billion to individual income taxes between 1987 and 1990.

*Corporation Income Taxes.*—Corporation income taxes are estimated to increase from \$104.8 billion in 1987 to \$139.8 billion in 1990. This increase of 33.4 percent is in large part due to higher corporate profits. These estimates reflect the changes in the investment tax credit and depreciation provided in the Tax Reform Act of 1986, and other tax changes enacted since January 1981. They also reflect the administration's IRS initiatives and other proposals, which are estimated to increase corporation income taxes by a net \$1.0 billion in 1988, and \$1.5 billion in 1989 and 1990.

*Social Insurance Taxes and Contributions.*—This category includes social security and railroad retirement taxes, unemployment insurance taxes and deposits, and other retirement contributions.

Receipts from this source are expected to increase from \$301.5 billion in 1987 to \$384.0 billion in 1990. These estimates reflect scheduled increases in the combined employer-employee social security (OASDHI) tax rate from 14.3 percent to 15.02 percent on January 1, 1988, and to 15.3 percent on January 1, 1990. The estimates also reflect annual increases in the social security taxable earnings base to \$50,100 in 1990. The administration's proposals, primarily the extension of medicare coverage to State and local government employees and the extension of social security (OASDHI) coverage to certain earnings, are estimated to increase this source of receipts by \$2.4 billion in 1988, and \$3.5 billion in 1989 and 1990.

*Excise Taxes.*—Excise taxes are levied on a variety of products, services, and activities. Receipts from these taxes are estimated to increase from \$32.6 billion in 1987 to \$33.7 billion in 1990. These estimates reflect the extension of airport and airway trust fund taxes and highway trust fund taxes scheduled to expire under current law. The estimates also reflect Army Corps of Engineers harbor maintenance user fees and inland waterway fuel tax increases enacted in the Water Resources Development Act of 1986. The administration's proposals, which include the repeal of highway tax exemptions and increases in excise taxes on coal produc-

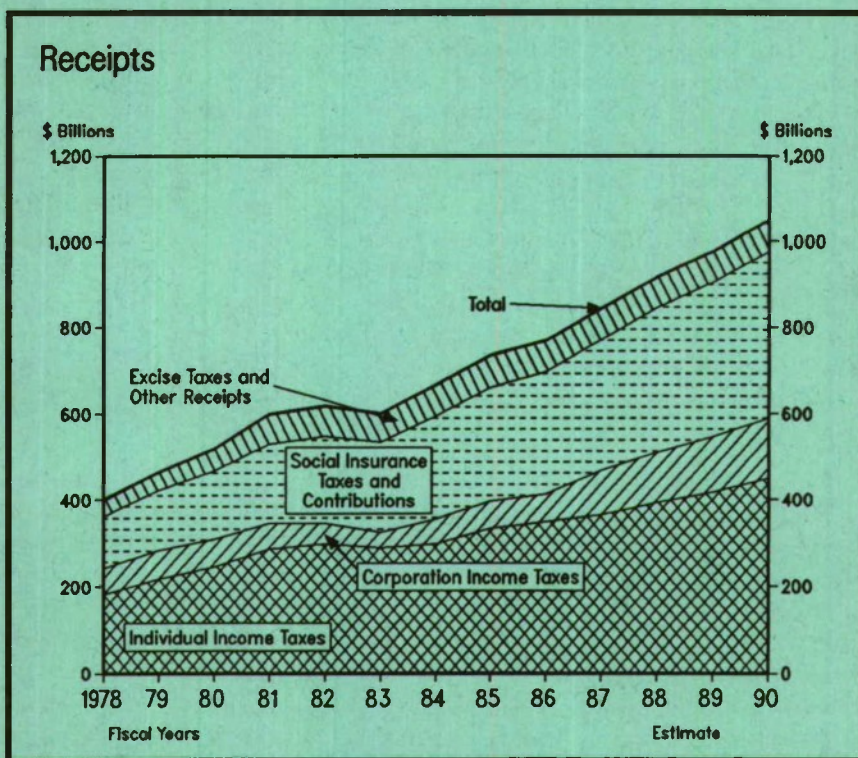


tion, are estimated to increase excise taxes by \$1.2 billion in 1988, 1989, and 1990.

*Other Receipts.*—Estate and gift taxes, customs duties, and miscellaneous receipts (almost all of which are deposits of earnings by the Federal Reserve System) are estimated to total \$39.6 billion in 1987, \$40.0 billion in 1988, \$40.2 billion in 1989, and \$40.0 billion in 1990.

### PROPRIETARY RECEIPTS

In addition to receipts, the Government receives significant proprietary income from the public. This income is derived from various market-oriented activities and takes the form of interest, rents, royalties, and the sale of Government property, products, and services. Because this income arises from business-type transactions rather than from taxation, it is treated as an offset to related outlays and budget authority rather than as receipts. These offsetting collections from the public are discussed in Part 6b; they are divided between collections offset in expenditure accounts and proprietary receipts from the public. Proprietary receipts from the public are shown in Table 14 of Part 6c.





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PART 5

FEDERAL  
PROGRAMS BY FUNCTION:  
MEETING NATIONAL NEEDS

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5-1

Pages 5-1 through 5-17 and 5-166 through 5-172 have been extracted and reprinted in that order within.

The entire part may be referred to on pages 5-1 through 5-172 of "The Budget of the United States Government" (Supplement, small book).



## INTRODUCTION

This part of the budget presents Federal programs in terms of functions, which are broad categories of activities with similar purposes. Programs are grouped into functions so that related Federal activities that meet particular national needs may be considered together, regardless of which agencies are responsible for them. To the extent feasible, the functional structure classifies these activities according to their primary purpose. Each activity is classified only in the function that defines its most important purpose, even though it may serve more than one.

There are 19 functions, each of which consists of one or more subfunctions, which are generally narrower and more homogeneous groupings of programs. Two additional categories—allowances and undistributed offsetting receipts—are not themselves functions because they do not consist of programs, but are needed to encompass the entire budget. There have been no major changes in the functional structure of the budget since last year.

The function-subfunction-program hierarchy is used in the tables of budget authority and outlays presented for each function. These tables quantify the President's proposals; the accompanying text explains them. Each function starts with a statement of the national needs served by programs in the function. A summary paragraph or two describe the function and major proposals. Individual programs within the subfunctions are discussed in terms of budget authority and outlays.

While budget authority and outlays are the most important measures of resources allocated to Federal programs, they do not cover all Federal activities. Federal loan guarantees generally require no outlays unless the borrower defaults. To monitor and control Federal credit activities, a separate credit budget measures all guaranteed loan commitments and direct loan obligations. Most functions contain Federal credit programs; the functional sections discuss these programs and contain a table of credit activity. The figures in these tables add up to the credit budget totals, which appear in Table 1 of Part 6c of this volume. The credit budget is explained in Part 3b of this volume and in Special Analysis F, "Federal Credit Programs."

Tax expenditures, also not measured by budget authority or outlays, are another means by which the Federal Government can achieve policy objectives. Tax expenditures are provisions of



income tax law that allow a preferential rate of tax, a special credit, a deferral of tax liability, or a special exclusion, deduction, or exemption. Most of the functions include a discussion, and in several cases a table, of tax expenditures. All tax expenditure estimates are based on current law, and do not reflect any proposed changes in tax law. The definition and measurement of tax expenditures are explained in Part 6a of this volume and in Special Analysis G, "Tax Expenditures."

The following tables appear in other parts of this volume:

- Outlays by function and subfunction for 1978 through 1988, in Table 18 of Part 6c.
- Outlays and budget authority by function for 1986 through 1992, in Tables 4 and 8, respectively, of Part 6c.
- Budget authority and outlays for 1986 through 1989 for each agency and account, in Part 4 of the *Budget*. Each account has a 3-digit code indicating the function and subfunction in which it is classified.

Data for earlier years are published in *Historical Tables, Budget of the United States Government, Fiscal Year 1988*.



## NATIONAL DEFENSE

The objective of the national defense program is to protect the Nation and its allies from foreign aggression. This program seeks to preserve peace by maintaining sufficient military strength to deter both nuclear and conventional war. Should war nonetheless occur, we must be prepared to defend ourselves successfully, while minimizing the scope and intensity of the conflict.

Detering foreign threats to our vital interests and those of our allies and friends requires a full range of defense capabilities, including survivable and flexible capabilities for nuclear deterrence; maritime superiority; strong air and ground forces in Europe and other critical forward areas; and the ability to deploy military forces rapidly anywhere in the world and to sustain them in the field. Our defense program is designed to develop and maintain these necessary military capabilities in an efficient and timely manner.

Budget authority for defense declined in real terms in both 1986 and 1987. The 1987 appropriated amount is now 6 percent below that for 1985. Congress cut \$65 billion from administration requests for 1986 and 1987, with reductions in both operations and investment programs. As a consequence, the rebuilding of our national security capabilities is proceeding at a slower pace and may prove more costly. Fewer aircraft, missiles, and ships are being purchased than is prudent. There is less investment in ammunition, in war reserve stocks, and in the development of systems that will provide new capabilities. Fewer resources are available for combat readiness.

To address the most critical unmet needs resulting from the 2-year decline in real defense budget authority levels, the administration proposes a 1987 supplemental appropriation of \$2.8 billion, to be followed by sustained moderate real growth in 1988 and thereafter. The amounts requested are those minimally necessary to maintain national security and to allow the consolidation of real gains in military strength made in this administration.

The budget proposal would continue improvements in the capabilities of strategic and conventional forces. Because of severe fiscal constraints, the rate of force improvements is slower than originally planned. Procurement is being stretched out for several major ground forces systems and some Navy ship construction delayed. Progress toward the Air Force's mid-term goal of 40 active and reserve tactical wings is being held temporarily to 37 wings.

In keeping with the recommendation of the President's Blue Ribbon Commission on Defense Management, and as required by the 1986 Defense Authorization Act, a 2-year budget for 1988 and 1989 is submitted for national defense. The budget proposes \$312.0



billion in budget authority and estimates \$297.6 billion in outlays for the national defense function in 1988, and \$332.4 billion in budget authority and \$312.2 billion in outlays in 1989. The accompanying table shows budget authority and outlays for the three major national defense subfunctions: military functions of the Department of Defense, atomic energy defense activities, and defense-related activities of other agencies.

**Department of Defense-Military.**—The \$303.3 billion in budget authority requested for the military functions of the Department of Defense in 1988 and the \$323.3 billion requested for 1989 provide about 3 percent real growth per year starting from the 1987 level enacted by the Congress. These levels are essential to maintain the military strength to ensure the Nation's security and deter war. Maintaining our defense capabilities requires continuing efforts to:

- modernize all components of U.S. strategic forces to ensure that they deter nuclear attack by virtue of their ability to survive and retaliate should an attack occur;
- develop and procure conventional equipment that performs efficiently and effectively on the modern battlefield;
- improve the readiness and combat endurance of conventional forces;
- develop sufficient maritime and airlift capacity to ensure that we can deploy U.S. forces to critical regions overseas in order to protect our interests, support our allies, and allow continued access to essential resources; and
- strengthen alliances and coalitions to protect U.S. interests worldwide and, in particular, to achieve NATO objectives.

Budget authority requested for the Department of Defense-Military is shown by mission category in the second table of this section. These categories are discussed below.

**Strategic Forces.**—The budget continues the President's strategic modernization program, which is essential for strengthening deterrence and achieving meaningful arms control agreements.

Our bomber forces are being modernized by acquiring 100 B-1B bombers, the Advanced Technology Bomber, and the Advanced Cruise Missile. Land-based missile forces are being improved substantially through the deployment of the first 50 Peacekeeper missiles in refurbished Minuteman silos; development of a new, survivable rail-mobile basing mode for deployment of Peacekeepers in the early 1990's; and development of the single-warhead small ICBM. To continue modernization of our submarine-based forces, the budget provides for procuring one new Trident ballistic missile submarine per year, and continues development and procurement of the new, advanced Trident II missile. Substantial funding increases also are proposed for the President's Strategic Defense Initiative to fund research to determine whether a thoroughly



## NATIONAL DEFENSE

(Functional code 050; in millions of dollars)

Major missions and programs	1986 actual	Estimate			
		1987	1988	1989	1990
<b>BUDGET AUTHORITY</b>					
<b>Department of Defense-Military:</b>					
Military personnel .....	67,794	74,203	76,299	76,632	78,336
Operation and maintenance .....	74,888	79,674	86,065	90,045	96,549
Procurement .....	92,506	85,847	83,974	94,624	105,587
Research, development, test and evaluation .....	33,609	36,724	43,719	44,203	39,586
Military construction .....	5,281	5,382	6,592	6,885	7,463
Family housing .....	2,803	3,121	3,484	3,679	4,005
Revolving funds and other .....	5,262	678	1,225	1,156	1,748
Offsetting receipts .....	- 753	- 699	- 750	- 766	- 785
Allowances: Civilian pay raises .....			505	1,419	2,528
Allowances: Military pay raises and benefits .....			2,008	4,927	8,187
Allowances: Other legislation (proposed) .....			174	485	694
Subtotal, Department of Defense-Military .....	281,390	284,931	303,295	323,290	343,900
Atomic energy defense activities .....	7,287	7,478	8,050	8,500	8,980
Defense-related activities .....	470	518	622	574	583
Total, budget authority .....	289,146	292,927	311,967	332,364	353,463
<b>OUTLAYS</b>					
<b>Department of Defense-Military:</b>					
Military personnel .....	71,511	70,808	75,677	76,135	77,693
Operation and maintenance .....	75,259	76,714	81,368	86,212	94,694
Procurement .....	76,517	82,695	82,798	83,561	88,739
Research, development, test and evaluation .....	32,283	34,178	38,266	42,095	38,866
Military construction .....	5,067	4,952	5,186	5,652	6,431
Family housing .....	2,819	2,767	3,012	3,352	3,566
Revolving funds and other .....	2,933	2,785	1,212	951	1,256
Offsetting receipts .....	- 753	- 699	- 750	- 766	- 785
Allowances: Civilian pay raises .....			496	1,403	2,243
Allowances: Military pay raises and benefits .....			1,979	4,884	7,884
Allowances: Other legislation (proposed) .....			57	221	413
Subtotal, Department of Defense-Military .....	265,636	274,200	289,300	303,700	321,000
Atomic energy defense activities .....	7,445	7,440	7,817	8,290	8,768
Defense-related activities:					
Existing law .....	294	606	613	587	595
Proposed legislation .....			- 180	- 380	- 380
Subtotal, Defense-related activities .....	294	606	433	207	215
Total, outlays .....	273,375	282,246	297,550	312,197	329,983

effective defensive system against ballistic missiles can be deployed. Finally, the budget also supports improvements to our strategic command and control systems, as well as to our early warning and strategic defensive capabilities. These strategic force programs are essential to ensure that our deterrent remains strong in the near term and through the 1990's.



## MISSION CATEGORIES: DEFENSE, MILITARY

(Functional code 051; in billions of dollars)

Major missions and programs	1986 actual	Estimate			
		1987	1988	1989	1990
Strategic forces <sup>1</sup> .....	24.2	21.5	23.7	27.7	32.9
General purpose forces .....	116.2	117.2	118.8	126.8	135.6
Intelligence and communications .....	26.4	28.2	30.2	31.5	33.5
Airlift and sealift .....	7.6	7.2	6.0	6.6	7.1
Guard and reserve .....	15.6	16.0	17.5	18.6	19.5
Research and development <sup>2</sup> .....	25.7	28.0	35.1	36.5	35.8
Central supply and maintenance .....	24.4	23.1	26.0	27.0	29.7
Training, medical, and other general personnel activities .....	33.6	36.3	38.8	41.0	42.0
Administration and associated activities .....	7.1	6.7	6.3	6.7	6.9
Support of other nations .....	0.5	0.7	0.9	0.9	0.9
<b>Total, budget authority .....</b>	<b>281.4</b>	<b>284.9</b>	<b>303.3</b>	<b>323.3</b>	<b>343.9</b>
Prior-year funds and other financial adjustments .....	-0.9	1.4	0.8	0.8	0.8
<b>Total obligational authority .....</b>	<b>280.5</b>	<b>286.3</b>	<b>304.1</b>	<b>324.1</b>	<b>344.7</b>

<sup>1</sup> Excludes strategic systems development included in the research and development category.<sup>2</sup> Excludes research and development in other program areas on systems approved for production.

**General Purpose Forces.**—Strengthening general purpose forces will deter and counter non-nuclear military aggression. U.S. forces must be able to respond effectively to all levels of potential conflict—up to and including a war between NATO and the Warsaw Pact—while retaining the flexibility to meet other threats to U.S. interests. The budget provides support for 18 active-duty Army divisions, 3 Marine divisions, 3 Marine and 14 Navy active-duty tactical airwings, 25 active-duty wings of Air Force tactical aircraft, and a 582-ship Navy (including strategic missile submarines and support ships).

**Army General Purpose Forces.**—The budget provides the resources to buy weapons that will improve the firepower, tactical mobility, and survivability of Army forces, and supports the maintenance and training of these forces.

In 1988 and 1989, the Army will procure a total of 1,134 M-1 Abrams tanks, 1,234 Bradley fighting vehicles, and other modern equipment to strengthen armored combat capability. Attack and assault support helicopters improve the Army's ability to destroy enemy tanks and move rapidly on the battlefield. Funds are included for 67 Apache attack helicopters, procurement of which will be completed in 1988, and for 133 Blackhawk utility helicopters in 1988 and 1989. The budget continues the development of a new family of light rotorcraft helicopters (LHX) to perform scout, utility and attack missions.

The budget provides funding for both short- and long-range air defense missile systems vital to the survivability of conventional land forces. Short-range systems such as Stinger and Chaparral



defend troops near the front lines while longer-range, area defense systems like Patriot and Hawk are capable of defending larger, more widely dispersed areas of the battlefield. Initial procurement of a new forward area air defense system, to provide short-range air defense for mechanized infantry and armored divisions, is planned for 1988. A total of 53 of these systems will be bought in 1988 and 1989.

By the end of 1989 the activation or conversion of 4 new active light divisions will be completed. This will be done without exceeding previously planned manpower and equipment requirements. The new light divisions are smaller and require less strategic air- or sealift than existing infantry divisions. In 1988 and 1989 the budget supports the continued enhancement of special operations forces by providing them with improved equipment and training.

*Navy General Purpose Forces.*—In peacetime, Navy forces can provide a tangible demonstration of U.S. regional commitments. In wartime, maritime superiority is essential to control the sea lines of communication over which critical U.S. reinforcements and resupply must travel to battle theatres. Naval forces also must be able to conduct offensive operations, if necessary, against Soviet naval forces and facilities.

Under the budget proposals, the Navy's deployable battle force (including strategic missile submarines and support ships) would increase from 569 ships in 1987 to 582 in 1988, and reach the administration's goal of 600 by the end of the decade. The Navy's shipbuilding plan for 1988 and 1989 includes 4 cruisers, 6 guided missile destroyers, 6 attack submarines, 3 amphibious ships, 9 support ships, and 5 minesweepers. This plan also includes advance funding for 2 nuclear-powered aircraft carriers, with construction to begin in 1990 and 1993.

During 1988, the Navy's 14th active-duty tactical airwing will become fully operational. Active naval aviation forces will then consist of 17 tactical airwings (14 Navy and 3 Marine Corps), 24 land-based patrol squadrons, and various support aircraft. To maintain and modernize these forces, the budget provides funding for continued procurement of F-14, F/A-18, and AV-8B aircraft for the tactical air wings, as well as SH-60B LAMPS III ship-based and SH-60F carrier-based helicopters for anti-submarine warfare. A competitive procurement for an updated P-3 long-range patrol aircraft will begin in 1989.

Realizing the full potential of the investment in naval ships and aircraft requires highly trained crews. Navy tactical aircraft pilots will average about 300 flying hours annually during 1987-1989, roughly double that of their Warsaw Pact counterparts.

Expansion of naval ordnance inventories over the last several years has contributed significantly to combat endurance. Special



attention has been paid to meeting requirements for torpedoes, surface-to-air and air-to-air missiles, and anti-ship cruise missiles.

*Air Force General Purpose Forces.*—The tactical air force is equipped with fighter, attack, and support aircraft for the mission of controlling the skies and attacking enemy ground targets. In 1988 and 1989, the Air Force plans to procure a total of 360 F-16 and 84 F-15 multi-mission fighter aircraft as part of its modernization program. These aircraft will improve significantly the combat effectiveness of our tactical forces because of their range/payload characteristics, their ability to operate in adverse weather, and their advanced navigation and targeting capabilities.

Funds also are requested for continued improvements in aircraft readiness and combat sustainability with emphasis on spare parts purchases, procurement of more capable missiles and bombs, and more realistic training for aircrews. To maintain their superior combat proficiency, Air Force tactical fighter pilots will continue to fly about twice as many training hours as their Warsaw Pact counterparts.

*Intelligence and Communications.*—To employ our weapon systems and forces effectively, we must be able to direct them in accordance with national policy and military strategy. Information on friendly, hostile, and potentially hostile forces must be gathered and evaluated to aid decision makers. Decisions and operational orders, in turn, must be communicated to the appropriate forces.

The budget seeks improvements in intelligence and communications by providing for development and modernization of command centers, sensors, computers, satellites, and other data-gathering and communication links. These improvements will be made in five broad mission areas: strategic and non-strategic nuclear force management; theatre and tactical force management; world-wide information and communication systems; electronic warfare; and intelligence.

*Airlift and Sealift Forces.*—The ability to conduct a forward defense while maintaining a limited peacetime presence, depends upon the ability to deliver military personnel and combat equipment rapidly to crisis areas anywhere in the world and to sustain them once deployed. The budget reflects an expansion of airlift capacity through procurement of the new C-17 cargo aircraft. The budget supports continued efforts to improve capabilities of existing airlift aircraft and increase their capacity through modifications. Sealift capabilities will be strengthened by the addition of ships to the ready reserve force and the continued procurement of equipment to make civilian container ships more useful for military purposes. The budget also includes funds for a new sealift



enhancement program similar to the Air Force Civil Reserve Air Fleet (CRAF) program. This new program would underwrite the cost of adding militarily useful features to merchant vessels constructed in U.S. shipyards.

Stockpiling of equipment and materials near potential trouble spots is critical to our ability to sustain deployed forces in distant areas. The Army has stockpiled in Europe heavy equipment for four divisions and supporting units, and is acquiring equipment for two more divisions. Equipment to support the rapid deployment of tactical fighter squadrons also is being stockpiled in Europe.

*National Guard and Reserves.*—Guard and Reserve forces that are well trained, equipped and readily deployable are essential to U.S. defense planning. As the growth in active duty personnel has moderated, Reserve and Guard units have become key to the U.S. total force concept. As a result, numerical strengths and the number of missions assigned these units have both increased. The budget for 1988 and 1989 reflects these increases and provides for continued improvement in unit strength, equipment, and training. Manpower levels in the Army, Air Force, Navy, and Marine Corps Reserves, and Army and Air National Guards, are projected to reach 1.19 million by the end of 1988, and 1.21 million by the end of 1989. For these two budget years, Reserve components will continue to receive modern weapon systems such as M-1 tanks, F-16 aircraft, and Perry-class guided missile frigates. Continued emphasis will be placed on the program for screening members of the individual ready reserve, and the system of regional maintenance training sites. Also, the Sixth Quadrennial Review of Military Compensation will make a comprehensive in-depth study of all Reserve compensation issues.

*Research and Development.*—Programs in this category fund all research and development except improvements to upgrade systems that are already operational. New weapon systems are developed, tested and evaluated to meet specific military requirements. At the same time, a strong research and technology base allows continued investigation into promising new technologies. This serves to guard against “technological surprise” by potential adversaries.

Major strategic force development programs include the land-based small ICBM and the Trident II submarine-launched missile, as well as the Advanced Technology Bomber and the Advanced Cruise Missile. Funding also is requested for development of a rail-mobile basing mode for Peacekeeper intercontinental ballistic missiles. Budget authority of \$5.2 billion is requested for 1988 and \$6.3 billion for 1989 for the Strategic Defense Initiative, a research program to explore the possibility of eliminating the ballistic mis-



sile threat to the United States and its allies. This initiative includes research on space surveillance and target acquisition; directed energy weapons; kinetic energy weapons; battle management systems; and system survivability.

Development efforts continue on new tactical fighters for the Air Force and the Navy, a joint service tilt-rotor aircraft and an advanced nuclear-powered attack submarine. The Army is developing advanced anti-tank and air defense systems and a family of light-weight helicopters.

*Training, Medical, and Other General Personnel Activities.*—General personnel activities include training and medical services for active duty personnel. The budget request continues the improvements to individual training begun several years ago. Also, high priority is given to developing team proficiency of operational units through realistic training that simulates actual combat conditions. Efforts to improve the readiness of our medical forces and the provision of peacetime care continue.

*Military Personnel and Compensation.*—Recognizing that military readiness depends heavily on competent and motivated personnel, the budget reflects a continued commitment to maintaining competitive levels of military compensation, providing adequate recruitment and retention incentives and improving the quality of life for military personnel and their families. The budget provides for military pay raises of 4.0 percent in 1988 and 4.3 percent in 1989, which should roughly match increases in private sector pay over the next two years. While overall manpower levels will decline slightly from 2,174,250 at the end of 1987 to 2,172,400 at the end of 1988, the reductions will occur in support and training areas, and will not affect manning of ships, aircraft and front line units. In 1989, manpower levels will increase to 2,184,400 by the end of the year, reflecting the additional personnel required for new ships, aircraft, and other weapon systems entering the military inventory.

Under current law, the new GI Bill educational benefit test program (which began in July 1985) will expire on June 30, 1988. The budget proposes that the GI Bill program be extended with certain modifications to improve its management and effectiveness. Funding responsibility would be transferred from the Veterans Administration to the Department of Defense to reflect appropriately the function of the GI Bill program as a peacetime military recruiting incentive. Legislation also will be proposed to reduce the basic GI benefit for shorter enlistments to reduce overall program costs and increase the program's contribution to achieving recruiting and retention goals. Other aspects of the program would remain unchanged, including the benefits provided to reservists.



This and other Reserve benefits will be evaluated by the Sixth Quadrennial Review of Military Compensation.

The budget provides that beginning in 1988 the Department of Defense budget will include funding for all of the employer social security taxes paid for wage credits earned by military personnel, rather than continuing the current practice of funding portions of the military wage credits in the budget of the Department of Health and Human Services. This change will not affect overall Government outlays. It would, however, ensure that the Department of Defense budget will more accurately reflect all defense costs. The budget also provides that social security coverage be extended to reservists while on inactive duty for training (weekend drills). This change will require legislative approval and will result in an increase in budget authority and outlays of the Department of Defense and a net increase in revenues of the social security trust funds.

The budget reflects several major changes that were made in the benefits and financing of the military retirement system in 1986. Persons entering the military on or after August 1, 1986 will receive a reduced annuity for retirement before completion of thirty years of service, to be restored at age 62. This new class of beneficiaries will also be subject to a revised cost-of-living adjustment (COLA) formula providing an adjustment equal to the annual increase in the Consumer Price Index (CPI) minus one percent, with a one-time restoration of purchasing power at age 62. The budget reflects the reduced retirement accrual costs that will occur as a larger percentage of the force comes under the new system. Military personnel who began service prior to August 1986 and current retired personnel are not affected by the new benefit structure.

Another change in the retirement system comes from a new method of calculating accrual costs. Beginning with 1987, active duty and reserve personnel will be subject to two different retirement accrual rates (expressed as a percentage of basic pay) to reflect the actuarial difference in their retirement benefits. During 1985 and 1986 these groups were subject to a single percentage rate. Starting in 1987, this change will reduce the reserve accrual rate by about 50 percent, while slightly increasing the active duty rate, for a net reduction in accruals of about \$580 million in 1987. By reflecting relative personnel costs more accurately, this change will improve personnel mix decisions made by military program managers.

*Management Initiatives.*—The administration is focusing on management initiatives to cut costs while increasing the responsiveness and flexibility of the defense establishment. In particular, the administration is committed to carrying out key initiatives recom-



mended by the President's Blue Ribbon Commission on Defense Management (the Packard Commission). The President recently appointed a new Under Secretary of Defense for Acquisition with responsibility for setting acquisition policies governing procurement, research and development, and contract administration. Other procurement reforms recommended by the Packard Commission, such as expanding use of commercial products and improving program management by setting cost and schedule baselines for major weapon systems, are underway.

Competition will continue to be emphasized as a means to keep costs down, improve quality, encourage innovation, and strengthen the defense industrial base. In 1986, 57 percent of all Department of Defense contracts, by dollar volume, were let competitively, a significant increase since 1981. The Department plans to increase competition for defense contracts further. In 1984 and 1985, the Department saved an estimated \$4.8 billion through competition in shipbuilding and acquisition of spare parts. Additional savings are anticipated from a greater proportion of defense procurement being subject to competition, as well as from competition for work now done by Government civilian employees that might be performed by private contractors. In addition, the Department of Defense will continue its efforts to reform its procurement and financial management systems and to carry out the President's Productivity Initiative. The success of these and other management initiatives are monitored under the Management Improvement Plan.

The administration plans several specific initiatives to reduce costs. These include legislation to revise thresholds for applying the Davis-Bacon Act (covering Federal construction contracts) and the Service Contract Act (covering Federal service contracts), recovery of excess pension costs included in prior contracts, and reducing current pension costs to reflect recent changes in the financial position of pension funds. The Department also will recover an equitable share of excess pension assets that become available when companies terminate their current plans and substitute annuity plans.

The administration plans to collect, on a test basis, nominal fees for outpatient medical care provided to non-active duty patients. This measure is expected to improve the quality of military care while reducing costs. Also, a test will be conducted to determine whether private operation of commissary stores will reduce costs and improve customer service.

***Atomic Energy Defense Activities.***—These activities, conducted by the Department of Energy, include research, development, testing, and production of nuclear weapons; production of special nuclear materials; storage of nuclear wastes from defense programs, and design of reactors for nuclear-powered Navy vessels. The accompa-



## SUMMARY OF ACTIVE MILITARY PERSONNEL AND FORCES

(Year end—i.e., as of September 30)

	1986 actual	Estimate		
		1987	1988	1989
<b>Military personnel (in thousands):</b>				
End strength:				
Army.....	781	781	781	781
Navy.....	581	587	593	603
Marine Corps.....	199	200	200	200
Air Force.....	608	607	599	601
<b>Total, Department of Defense.....</b>	<b>2,169</b>	<b>2,174</b>	<b>2,172</b>	<b>2,184</b>
Average strength:				
Army.....	778	777	781	780
Navy.....	572	582	588	596
Marine Corps.....	197	199	199	200
Air Force.....	607	608	605	602
<b>Total, Department of Defense.....</b>	<b>2,154</b>	<b>2,166</b>	<b>2,173</b>	<b>2,178</b>
<b>Strategic forces:</b>				
Intercontinental ballistic missiles:				
Peacekeeper.....	2	27	46	50
Minuteman.....	998	973	954	950
Titan II.....	7			
Poseidon-Trident.....	640	640	640	664
Strategic bomber squadrons.....	20	24	26*	26*
<b>General purpose forces:</b>				
Land forces:				
Army divisions.....	18	18	18	18
Marine Corps divisions.....	3	3	3	3
Tactical air forces:				
Air Force wings.....	24.5	24.5	24.5	24.5
Navy attack wings.....	13	14	14	14
Marine Corps wings.....	3	3	3	3
Naval Forces:				
Attack and multipurpose carriers.....	13	14	14	14
Battleships.....	3	3	3	4
Nuclear attack submarines.....	97	97	99	101
Other warships.....	211	214	214	218
Amphibious assault ship.....	60	61	62	65
<b>Airlift and sealift forces:</b>				
C-5 airlift squadrons.....	4	4	4	4
Other airlift squadrons.....	13	13	13	13
Sealift fleet.....	64	61	61	61

\*Includes 4 B-52G squadrons that will be reassigned to conventional forces.

nying table shows the funding levels for these programs. In total, budget authority of \$8.0 billion is requested for 1988, compared to \$7.5 billion for 1987. Outlays are estimated to increase from \$7.4 billion in 1987 to \$7.8 billion in 1988.

The nuclear weapons program involves the design, testing, and production of nuclear warheads for the nuclear weapons stockpile, including quality control and periodic inspection of the finished devices. Budget authority proposed for 1988 would provide for continuing missile warhead production for current and new weapon



systems, and for production of special nuclear materials for use in these warheads.

The defense nuclear waste management program provides interim storage for all defense nuclear wastes. The program also supports research and development activities for the isolation and permanent storage of these wastes.

The naval reactor development program includes the research and development, design, procurement, and testing of prototype reactors for current and future nuclear-powered naval vessels.

Other atomic energy defense and research and development programs cover security at defense nuclear facilities, security investigations, and arms control and verification technology development.

#### ATOMIC ENERGY DEFENSE ACTIVITIES

(Functional code 053; in billions of dollars)

Major missions and programs	1986 actual	Estimate			
		1987	1988	1989	1990
<b>BUDGET AUTHORITY</b>					
Weapons research, development, test and production .....	4,176	4,180	4,535	4,606	4,790
Weapons materials, production, and waste management.....	2,388	2,531	2,693	2,991	3,236
Naval reactor development.....	536	575	612	648	674
Other research programs.....	184	191	210	255	280
Adjustments .....	3	1			
<b>Total, budget authority.....</b>	<b>7,287</b>	<b>7,478</b>	<b>8,050</b>	<b>8,500</b>	<b>8,980</b>
<b>OUTLAYS</b>					
Weapons research, development, test and production .....	4,276	4,160	4,404	4,492	4,677
Weapons materials, production and waste management.....	2,448	2,519	2,615	2,917	3,160
Naval reactor development.....	530	573	594	632	658
Other research programs.....	188	187	204	249	273
Adjustments .....	3	1			
<b>Total, outlays.....</b>	<b>7,445</b>	<b>7,440</b>	<b>7,817</b>	<b>8,290</b>	<b>8,768</b>

**Defense-Related Activities.**—Activities of civilian departments and agencies that support national defense include emergency preparedness programs, maintenance of strategic stockpiles, and the Selective Service System.

The Federal Emergency Management Agency conducts civil defense and other preparedness programs. Budget authority of \$135 million is proposed for 1988 for civil defense programs, slightly below last year's level, but total budget authority for the defense related activities of this agency increases from \$306 million in 1987 to \$332 million in 1988.



## CREDIT PROGRAMS—NATIONAL DEFENSE

(In millions of dollars)

	1986 actual	Estimate			
		1987	1988	1989	1990
Direct loans:					
Navy industrial fund:					
New obligations .....	568				
Change in outstandings .....	435	-167	-169	-178	-178
Outstandings .....	1,748	1,582	1,412	1,234	1,056
Defense stock fund:					
Change in outstandings .....		-1			
Outstandings .....	1				
Defense production guarantees:					
Change in outstandings .....	3	-10			
Outstandings .....	10				
Total, direct loans:					
New obligations .....	568				
Change in outstandings .....	439	-178	-169	-178	-178
Outstandings .....	1,760	1,582	1,412	1,234	1,056
Total, new obligations .....	568				

To meet defense and essential civilian requirements for strategic and critical materials in the event of war, the General Services Administration maintains a stockpile of such materials. In July 1985, the President proposed modernizing the stockpile, including establishing new stockpile goals and retaining a supplemental reserve, for a combined stockpile value of about \$6.7 billion. He also proposed disposal of \$3.2 billion in surplus material stocks, in amounts not to exceed \$500 million a year. Consistent with the President's program, in 1987 the administration proposes to obligate \$125 million for the purchase of germanium, a beryllium and ferroalloy upgrade program, and the management of stockpile commodities; and to dispose of \$125 million in surplus materials. In 1988, the administration proposes to obligate an additional \$125 million and dispose of \$275 million in surplus materials. Legislation will be proposed to authorize these purchases and sales.

The Selective Service System maintains a high level of mobilization readiness to meet defense manpower requirements in case of a national emergency. Activities in support of this objective include national and regional operational planning, maintenance of automated registration information on eligible inductees, and training of Reserve officers and appeal board members necessary to set up local offices. Greater compliance with registration requirements will be stressed through public awareness efforts, focusing on cities in certain geographic areas, and Federal/State legislation tying registration with employment and educational opportunities. For 1988, a plan to set up a stand-by system to register critically-



needed health care personnel will be submitted to Congress. Estimated outlays for 1988 and 1989 are \$27 million a year.

***Tax Expenditures.***—The exclusion from taxable income of housing and meals for military personnel, provided either in cash or in-kind, results in a tax expenditure estimated at \$2.2 billion in 1988.



## ALLOWANCES

The budget includes allowances to cover certain forms of budgetary transactions that are expected to occur but are not reflected in the program details shown in the preceding functions. When these transactions actually take place, they are reported as outlays for the appropriate agencies and functions rather than as allowances. For this reason, allowances for completed years are always zero. In 1988, the net effect of the six allowances included in this category is to reduce outlays by \$770 million.

### ALLOWANCES

(Functional code 920; in millions of dollars)

Major missions and programs	1986 actual	Estimate			
		1987	1988	1989	1990
<b>BUDGET AUTHORITY</b>					
Civilian agency pay raises:					
Civilian agency pay raises <sup>1</sup> .....			656	1,570	2,692
Coast Guard military pay raises .....			48	79	113
Subtotal, Civilian agency pay raises .....			704	1,649	2,805
Savings from reform of Davis-Bacon and Service Contract Acts .....			-163	-163	-163
Credit reform initiative .....			-1,284	-606	920
Proposed change in Government contribu- tion for employee health benefits .....			-140	-205	-225
Special productivity savings from person- nel policies .....				-200	-500
Allowance for contingencies:					
Relatively uncontrollable programs .....					
Other requirements .....					
Total, budget authority .....			-883	475	2,836
<b>OUTLAYS</b>					
Civilian agency pay raises:					
Civilian agency pay raises <sup>1</sup> .....			630	1,507	2,584
Coast Guard military pay raises .....			48	79	113
Subtotal, Civilian agency pay raises .....			678	1,586	2,697
Savings from reform of Davis-Bacon and Service Contract Acts .....			-24	-90	-127
Credit reform initiative .....			-1,284	-606	920
Proposed change in Government contribu- tion for employee health benefits .....			-140	-205	-225
Special productivity savings from person- nel policies .....				-200	-500
Allowance for contingencies:					
Relatively uncontrollable programs .....					
Other requirements .....					
Total, outlays .....			-770	485	2,764

<sup>1</sup> Includes allowance for administration of the off-budget social security trust funds.



**Civilian Agency Pay Raises.**—This allowance covers the costs of future pay raises for civilian agency employees and Coast Guard military personnel. Also included are amounts for top level officials in the executive, legislative, and judicial branches. Allowances to cover future pay raises for military and civilian personnel of the Department of Defense are included in the national defense function.

The budget includes a 2.0 percent pay increase for civilian employees, effective in January 1988, and a 4.0 percent pay increase for military personnel, including Coast Guard military personnel, also effective in January 1988. The estimates for this allowance reflect the assumption that 50 percent of the 1988 pay raise for Federal civilian employees will be absorbed by the employing agencies. The President's final decision on the 1988 civilian pay adjustment will be made after he reviews the recommendations of his pay agent and the recommendations of the Advisory Committee on Federal Pay, as provided for by law. The pay raise allowances for 1989 and 1990 reflect the assumption that Federal civilian employees will receive a 3.0 percent pay raise in January of each year, and that Coast Guard military personnel will receive pay increases in January of each year that equal the pay increases received by Department of Defense military personnel.

**Savings From Reform of Davis-Bacon and Service Contract Acts.**—The administration is proposing legislation to increase the thresholds of coverage under the Davis-Bacon and related acts and the Service Contract Act to \$1 million for defense contracts and \$100,000 for nondefense contracts. The Davis-Bacon Act covers wages paid to workers on Federal and federally-aided construction projects. The Service Contract Act covers wages and benefits paid to workers under Federal service contracts. The threshold of coverage under the Davis-Bacon Act has not been revised since it was set at \$2,000 in 1935. Similarly, the threshold of coverage under the Service Contract Act has not been revised since it was set at \$2,500 in 1965. An increase in the thresholds of coverage under these statutes is appropriate in recognition of economic changes in the past several decades and to encourage competition and efficiency in Government procurement.

**Credit Reform Initiative.**—The administration proposes to change the budgetary accounting of Federal credit programs. The proposal would separate the subsidy value of a loan from its financing. Subsequent sales of direct loans less the costs of reinsuring loan guarantees are expected to produce net savings of \$1.3 billion in 1988. A detailed discussion of this proposal is presented in Part 3b.



***Proposed Change in Government Contribution for Employee Health Benefits.***—As discussed in the health function, the administration proposes to change the formula used to determine the Government's contribution for Federal employee health benefits (FEHB) to a weighted average that reflects the premiums of all FEHB plans and the distribution of enrollees among those plans. This proposal is estimated to reduce agency contributions for health benefits for current employees by \$140 million in 1988. The reduced contributions for annuitants are recorded in the health function.

***Special Productivity Savings from Personnel Policies.***—The administration's efforts to foster more efficient delivery of Government services are expected to produce, at a minimum, the productivity savings estimated in this Government-wide allowance. The replacement of the current system of within-grade increases with more performance-based pay incentives should spur productivity gains. Also included in this allowance are overall savings expected from such reforms as capital/labor trade-offs, simplification of pay and personnel systems, consolidation of functions and organizational units, methods and process improvements, and implementation of a gain-sharing program. The savings represent about 3 tenths of one percent of total Federal civilian compensation costs in 1989.

***Allowances for Contingencies.***—The Congressional Budget Act of 1974, as amended, requires that the budget include an allowance for unanticipated spending or savings in relatively uncontrollable programs and an allowance for other unanticipated spending or savings. The contingency allowance for relatively uncontrollable programs is estimated to be zero for all years, because the chance of these outlays being lower than the estimates is as great as the chance of being higher. The contingency allowance for other requirements is also assumed to be zero, with probable increases being offset by unanticipated decreases.



## UNDISTRIBUTED OFFSETTING RECEIPTS

Offsetting receipts are generally deducted from the budget authority and outlays of the agencies and functions of the receipt accounts. In three instances, however, such collections are deducted from the budget totals as undistributed offsetting receipts. These are for the employer share of employee retirement, rents and royalties on the Outer Continental Shelf, and the sale of major assets.

Undistributed offsetting receipts are estimated to be \$37.1 billion in 1987 and \$45.4 billion in 1988. Details of all offsetting receipts are shown in Table 14 in Part 6c.

## UNDISTRIBUTED OFFSETTING RECEIPTS

(Functional code 950; in millions of dollars)

Major missions and programs	1986 actual	Estimate			
		1987	1988	1989	1990
<b>BUDGET AUTHORITY AND OUTLAYS</b>					
<b>Employer share, employee retirement (on-budget):</b>					
Military retired contributions .....	-17,429	-18,193	-18,782	-19,328	-20,082
Federal retirement thrift .....		-422	-1,324	-1,499	-1,626
Other contributions:					
Existing law .....	-8,006	-9,398	-11,985	-12,761	-13,490
Proposed legislation .....			-38	-191	-324
Subtotal, Employer share, employee retirement (on-budget) .....	-25,434	-28,013	-32,128	-33,779	-35,523
<b>Employer share, employee retirement (off-budget):</b>					
Existing law .....	-2,857	-3,275	-5,367	-5,955	-6,580
Proposed legislation .....			-117	-161	-169
Subtotal, Employer share, employee retirement (off-budget) .....	-2,857	-3,275	-5,484	-6,116	-6,749
<b>Rents and royalties on the Outer Continental Shelf:</b>					
Existing law .....	-4,716	-3,903	-3,686	-3,530	-3,756
Proposed legislation .....					
Subtotal, Rents and royalties on the Outer Continental Shelf .....	-4,716	-3,903	-3,686	-3,530	-3,756
<b>Sale of major assets:</b>					
Sale of Conrail .....		-1,900			
Sale of petroleum reserves (proposed) .....			-2,500	-800	
Sale of power administrations (proposed) .....				-1,542	-2,513
Sale of Amtrak (proposed) .....			-1,000		
Auction receipts, FCC (proposed) .....			-600		
Subtotal, Sale of major assets .....		-1,900	-4,100	-2,342	-2,513
<b>Total, budget authority and outlays .....</b>	<b>-33,007</b>	<b>-37,091</b>	<b>-45,399</b>	<b>-45,767</b>	<b>-48,541</b>
On-budget .....	(-30,150)	(-33,816)	(-39,915)	(-39,651)	(-41,792)
Off-budget .....	(-2,857)	(-3,275)	(-5,484)	(-6,116)	(-6,749)



***Employer Share, Employee Retirement.***—The payments made by Federal agencies to employee retirement funds are outlays of the agencies and are counted as such in the functions of the paying accounts.<sup>1</sup> Since these are payments made by Federal agencies to other Federal agencies, they must be deducted prior to arriving at total budget authority and outlays in order to measure properly the Federal Government's transactions with the public. The deductions are not made against the paying agencies and functions, because they are deemed appropriate charges that should be included in the costs of these programs. Deductions are also not made against the trust funds and functions receiving the payments, because the size of the deductions would cause the budget authority and outlay totals to seriously understate the amount of resources used to carry out these programs. Hence, the deductions for these collections are recorded as undistributed offsetting receipts.

The budget distinguishes two categories of these receipts—collections by budget accounts and collections by the off-budget social security accounts. Almost all of the \$32.1 billion in 1988 that are collected by budget accounts go to the military retirement and the civil service retirement trust funds. Most of the remainder is collected by the new Federal retirement thrift savings fund and the medicare trust fund.

The off-budget undistributed offsetting receipts for the employer share of employee retirement are collected by two funds—the old-age and survivors insurance trust fund and the disability insurance trust fund. Most of these receipts are collected from on-budget Federal agencies. They are estimated to increase from \$3.3 billion in 1987 to \$5.5 billion in 1988, in part because it is the first full year in which agencies will make social security contributions for employees who transfer from the civil service retirement system to the new Federal employee retirement system. It is assumed that 40 percent of the eligible workforce will choose to transfer.

The administration proposes to require the Department of Defense to make social security and medicare contributions for wage credits earned by military personnel. The administration also proposes to require the Postal Service to begin paying the full employer share of the actuarial cost of employee pensions. These proposals, which are discussed in greater detail in the national defense and commerce and housing credit functions, will increase employing agency outlays for employee retirement and, therefore, undistributed offsetting receipts, by \$155 million in 1988.

***Rents and Royalties on the Outer Continental Shelf (OCS).***—Collections for rents and royalties on the Outer Continental Shelf

<sup>1</sup> The effect of future pay increases assumed for Federal civilian employees, which are discussed in the allowances section, is included in the estimates of employing agency payments to retirement trust funds.



by the Federal Government are large. They arise from land ownership by the Federal Government rather than as a result of any major spending program. Their inclusion as an offsetting receipt in any particular function would greatly understate the amount of budget authority and outlays used to carry out programs in that function; hence, they are not distributed by function. These collections include cash bonuses received from the leasing of OCS lands that have the promise of containing oil and gas; annual rents on existing leases; and royalties, based on a percentage of the value of production. Collections to which title is in dispute are not recorded as offsetting receipts in the budget. Until the dispute is settled, the collections are retained in escrow in a deposit fund outside the budget. When settlement is reached, only the amounts determined to belong to the Federal Government are recorded as undistributed offsetting receipts. On September 30, 1986, the amounts of disputed OCS collections held in escrow totaled \$4.0 billion. Most of the collections held in escrow are expected to be disbursed in 1987.

The current estimates of \$3.9 billion in 1987 and \$3.7 billion in 1988 assume that four OCS sales will be conducted in 1987 and nine sales in 1988. No final decision will be made on any of these sales until environmental studies and other requirements under the National Environmental Policy Act have been completed.

***Sale of Major Assets.***—The Omnibus Budget Reconciliation Act of 1986 authorized the sale of Conrail via a public offering. It is anticipated that the sale will be concluded in 1987 and that receipts from the sale, including cash transfers already made by Conrail to Treasury, could amount to \$1.9 billion. The administration proposes to sell the naval petroleum reserves for an estimated \$3.3 billion. Sales proceeds are expected to be received in 1988 and 1989. The five Federal power marketing administrations are also proposed to be sold, beginning in 1989. Both of these proposed sales are discussed in greater detail in the energy function. As discussed in the transportation function, the administration also proposes to sell some or all of Amtrak's assets for \$1.0 billion in 1988.

In addition, the administration proposes to auction Federal Communications Commission licenses for use of the unassigned spectrum by non-mass media services. Auctioning the assignments for mobile radio services frequencies is expected to generate approximately \$600 million in 1988. Auction authority will not affect the terms of the licenses awarded and will not apply to licenses awarded in any medium of mass communications or for public safety or amateur services. Public auctions will capture the true value of licenses and give taxpayers a monetary return for use of the spectrum, which is a valuable and limited resource.

According to normal budget accounting principles, the receipt from the above sales would be treated as offsets to the budget



authority and outlays for the respective agencies and functions. However, since the receipts from these sales are relatively large, such treatment would seriously distort the budget estimates for those agencies and functions. Hence, gross proceeds from the proposed sales are classified as undistributed offsetting receipts. The decrease in spending or offsetting collections associated with some of these sales are recorded in the functions in which the program is classified.



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PART 6

SUPPLEMENTS

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6-1



## PART 6a

### PERSPECTIVES ON THE BUDGET

This part of the budget explains several topics that help to interpret the budget totals and to place the budget in perspective:

- the relationship of budget authority to outlays;
- limitations on the availability of funds;
- fiscal activities outside the Federal budget:
  - off-budget Federal entities,
  - tax expenditures, and
  - regulation;
- Federal debt and the relationship of budget funds to changes in Federal debt;
- comparison of the actual and estimated totals in 1986 for:
  - receipts,
  - outlays, and
  - the deficit;
- comparison of the actual and estimated relatively uncontrollable outlays in 1986; and
- the allocation of windfall profit tax receipts.

#### RELATIONSHIP OF BUDGET AUTHORITY TO OUTLAYS

The Congress must usually provide budget authority, which is generally in the form of appropriations, before Federal agencies can obligate the Government to make outlays. For 1988, \$1,142.2 billion of new budget authority is proposed for the Federal Government. Of this amount, \$900.1 billion is for agencies included in the budget and \$242.1 billion is for off-budget Federal entities.

Of this total new budget authority, both on-budget and off-budget, \$571.6 billion will require congressional action. New budget authority of \$779.9 billion will be available through permanent appropriations under existing law. This consists mainly of trust fund receipts, which in most trust fund programs are automatically appropriated under existing law, and interest on the public debt, for which budget authority is automatically provided under a permanent appropriation enacted in 1847. This gross amount of new budget authority is partially offset by \$209.3 billion of deductions for offsetting receipts, which consist of proprietary receipts from the public and collections of one Government account from another.

6a-1



<b>BUDGET AUTHORITY</b>					
(In billions of dollars)					
Description	1986 actual	1987 estimate	1988 estimate	1989 estimate	1990 estimate
<b>Available through current action by the Congress:</b>					
Enacted and pending appropriations ..	535.0	555.1			
Proposed in this budget:					
Appropriations <sup>1</sup> .....			567.3	608.7	636.6
Supplemental requests .....		4.5	.3		
Rescission proposals .....		-5.7			
To be requested separately:					
Upon enactment of proposed legislation .....		0.7	2.2	-6.1	-11.2
Allowances:					
Civilian agencies <sup>2</sup> .....			- .9	.5	2.8
Department of Defense—Military <sup>3</sup> .....			2.7	6.8	11.4
Subtotal, available through current action by the Congress .....	535.0	554.6	571.6	609.9	639.6
<b>Available without current action by the Congress (permanent appropriations):</b>					
Trust funds (existing law) .....	439.0	448.9	504.2	541.3	582.7
On-budget .....	(233.1)	(220.9)	(245.1)	(257.2)	(272.0)
Off-budget .....	(205.9)	(228.0)	(259.2)	(284.1)	(310.8)
Interest on the public debt .....	190.2	191.7	198.2	204.8	207.2
Other .....	96.6	83.6	77.5	73.0	73.6
Subtotal, available without current action by the Congress .....	725.8	724.2	779.9	819.1	863.6
<b>Deductions for offsetting receipts</b> .....	-188.1	-185.0	-209.3	-217.5	-231.4
On-budget .....	(-171.8)	(-171.0)	(-191.8)	(-196.0)	(-206.4)
Off-budget .....	(-16.3)	(-14.0)	(-17.6)	(-21.5)	(-25.0)
<b>Total, budget authority</b> .....	1,072.8	1,093.9	1,142.2	1,211.6	1,271.9
On-budget .....	(883.2)	(879.9)	(900.1)	(948.2)	(985.3)
Off-budget .....	(189.6)	(214.0)	(242.1)	(263.4)	(286.6)

<sup>1</sup> For 1989, includes advance appropriations that are available without current action by Congress (permanent appropriations).

<sup>2</sup> Allowance for civilian agency pay raises, Coast Guard military pay raises, and other purposes.

<sup>3</sup> Allowances for civilian and military pay raises and other legislation for Department of Defense—Military.

Not all of the new budget authority for 1988 will be obligated or spent in that year: <sup>1</sup>

- Budget authority for most trust funds comes from the authority of these funds to spend their receipts. Any balances remain available to these trust funds indefinitely in order to finance benefits and other purposes specified by law.
- Budget authority for most major construction and procurement projects covers the entire cost estimated when the projects are initiated, even though work will take place and

<sup>1</sup> This subject is also discussed in a separate OMB report, "Balances of Budget Authority," which can be purchased from the National Technical Information Service shortly after the budget is transmitted.



outlays will be made over a period extending beyond the year for which the budget authority is enacted. Some exceptions are made to this convention, notably for water resource programs.

- Government enterprises are occasionally given budget authority for standby reserves that will be used only in the event of special circumstances.
- Budget authority for large portions of the subsidized housing programs is equal to the Government's estimated obligation to pay subsidies under contracts, which may extend for periods of up to 40 years.
- Budget authority for most other long-term contracts also covers the estimated maximum obligation of the Government.
- Budget authority for many direct loan programs provides financing for a number of years; budget authority for many insurance and loan guarantee programs provides amounts to be used only in the event of defaults or other contingent claims made upon the programs.

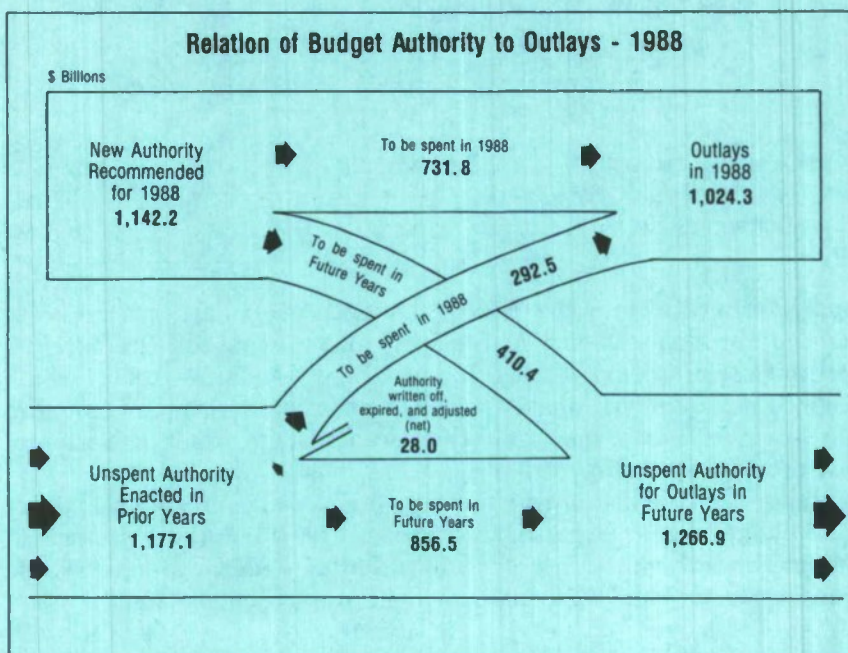
As a result of these factors, a substantial amount of budget authority carries over from one year to the next. Most of this is earmarked for specific uses and is not available for new programs. A small part may never be obligated or spent, because it is primarily for contingencies that do not occur or reserves that never have to be used.

As shown in the chart on the next page, \$292.5 billion of the outlays in 1988 (29 percent of the total) will be made from budget authority enacted in previous years. At the same time, \$410.4 billion of the new budget authority proposed for 1988 (36 percent of the total amount proposed) will not lead to outlays until future years. Thus, the total budget authority for a particular year is not useful for the analysis of that year's outlays, since it combines various types of budget authority that have different short-term and long-term implications for budget obligations and outlays. Budget authority and its relationship to obligations and outlays are discussed further in Part 6b of this volume and displayed in table 11 of Part 6c.

### LIMITATIONS ON THE AVAILABILITY OF FUNDS

Limitations on the availability of funds are a control mechanism that supplements the use of appropriations and other budgetary resources discussed in the previous section. Unlike budget authority, limitations on the availability of funds generally are not the source of authority to incur obligations; rather, they place a special ceiling on the use of authority by limiting the amount that can be obligated or committed for a specific purpose. These limitations are established most often through the appropriations process.





Some limitations establish stricter control over the amounts provided by appropriations or other acts by limiting the amount to be allocated for specific purposes within an appropriation or fund account.

- Many appropriation accounts provide funding for several activities. A limitation can single out and restrict the amount of obligations for one or more of these activities within the overall budget authority provided for the account. For example, the 1987 appropriation of \$911 million for Operation of Indian programs in the Department of the Interior includes language specifying that an amount not to exceed \$56 million is available for higher education scholarships and assistance to public schools.
- A limitation can be established on the amount that can be used for a particular type of expense, such as travel, consultants, or publications. These limitations can apply to (1) a single account; (2) all amounts within a single appropriations act; or (3) amounts in more than one appropriations act or amounts provided in substantive law.

Other limitations can affect the total level—not just the composition—of obligations and spending. They are used to control funds that would otherwise become available under relatively broad authority provided in substantive law without further action by the Congress in an appropriations act. In most cases these limitations



## SELECTED LIMITATIONS THAT AFFECT THE TOTAL LEVEL OF OUTLAYS

(In billions of dollars)

	1986 enacted	1987 estimate	1988 estimate
Direct loan obligations .....	10.0	6.1	3.6
Program levels (other than loans) .....	17.6	17.6	18.3
Administrative expenses of trust funds .....	6.8	6.7	6.8
Total, selected limitations .....	34.4	30.4	28.6

apply either (1) to trust fund activities, which are normally financed through earmarked receipts, like the payroll tax receipts for the social security trust funds; (2) to revolving funds, which finance business-type operations that generate their own income to pay their expenses; or (3) to other accounts for which substantive law provides spending authority.

Under the credit control system, limitations on Federal direct loan obligations and guaranteed loan commitments are the principal method of controlling the allocation of Federal credit.<sup>2</sup> These limitations provide a mechanism for annual Congressional review of the gross level of new credit activity. All direct lending will result in outlays. Guaranteed loan commitments—also important because of their effects on the credit market and the economy—ordinarily lead to Government spending only in the event of default.

In addition to credit activities, certain other Federal program levels are also constrained through the use of limitations on operating and administrative expenses. For example, the use of the budget authority of the highway trust fund and the airport and airway trust fund is controlled by limitations on the agencies' ability to obligate the Federal Government to make payments. Non-loan, business-type activities controlled through limitations include the Federal buildings fund, which is controlled through limitations on the use of receipts.

For many trust funds, all income of the fund automatically becomes budget authority and is available for spending. The Congress exercises control over the benefits that are paid from these funds through the use of eligibility criteria and benefit levels established in substantive law. Through the use of limitations, the Congress can also exercise control over the administrative expenses of these trust funds. Such limits apply, for example, to the old-age and survivors insurance trust fund and the hospital insurance trust fund.

<sup>2</sup> The credit control system is discussed further in Part 3b of this volume and in Special Analysis F, "Federal Credit Programs," in *Special Analyses, Budget of the United States Government, Fiscal Year 1988*.



The preceding table summarizes some of the major limits on the availability of funds that affect budget spending. The amounts identified do not include all limitations, but they illustrate that spending can be changed significantly without changing budget authority.

#### FISCAL ACTIVITIES OUTSIDE THE FEDERAL BUDGET

The budget does not include some activities of the Federal Government that result in spending similar to budget outlays. These activities, nevertheless, channel economic resources toward particular uses in ways that are analogous to the effects of budget spending.

The total receipts and outlays of the Federal Government are composed of both on-budget receipts and outlays and off-budget receipts and outlays. The receipts and outlays of the off-budget Federal entities are a significant exclusion from the budget. Legislation enacted in 1985 made a major change in the budgetary classification of several activities by putting all of the previously off-budget Federal entities into the budget and moving social security off-budget. The first section below discusses the off-budget Federal entities.

This is followed by a discussion of fiscal activities that are outside the scope of budget outlays by their inherent nature. Taxation and tax expenditures have significant allocative effects on the economy that are analogous to budget outlays. Some types of regulation have economic effects that are similar to budget outlays by requiring the private sector to make expenditures for specified purposes such as safety and pollution control. Two other major fiscal activities not recorded in budgetary outlays are the outlays of the Government-sponsored enterprises, which are excluded from the budget because the enterprises are privately owned, and loan guarantees, which generally do not result in budget outlays except in the case of default. Government-sponsored enterprises and loan guarantees are discussed in Part 3b, of this volume, "Federal Credit," together with Federal direct loans. Part 3b also discusses an Administration proposal to make budgetary accounting for loan guarantees and direct loans more comparable with budgetary accounting for other programs.

***Off-budget Federal Entities.***—The Federal Government has used the unified budget concept as the foundation for its budgetary analysis and presentation since the 1969 budget. This concept calls for the budget to include all of the Government's fiscal transactions with the public. Starting in 1971, however, various laws have been enacted under which several Federal entities have been removed from the budget or created outside the budget. Other laws



have moved certain off-budget Federal entities onto the budget. Under current law the off-budget Federal entities consist of the two social security trust funds, old-age and survivors insurance and disability insurance.<sup>3</sup>

The off-budget Federal entities are federally owned and controlled, but their transactions are excluded from the budget totals under provisions of law. When an entity is off-budget, its receipts, outlays, and surplus or deficit are not included in budget receipts, budget outlays, or the budget deficit; its budget authority is not included in the totals of budget authority for the budget; and its receipts, outlays, and surplus or deficit ordinarily are not subject to the targets set by the congressional budget resolution.<sup>4 5</sup>

Nevertheless, the Balanced Budget and Emergency Deficit Control Act of 1985 (commonly known as the Gramm-Rudman-Hollings Act) included the off-budget surplus or deficit in calculating the deficit targets under that Act and in calculating the excess deficit for purposes of that Act.<sup>6</sup> Partly because of this reason, attention has focused on the total receipts, outlays, and deficit of the Federal Government instead of the on-budget amounts alone. Many of the tables in the budget documents include both on-budget and off-budget amounts, adding them together to arrive at the total Federal receipts, outlays, and deficit. Other tables include the on-budget and off-budget amounts only in combination in order to concentrate on the total amounts of the Federal Government.

The Federal entities that were off-budget until 1986 primarily made direct loans to the public. The Gramm-Rudman-Hollings Act, however, placed on budget all of the entities that were then off-budget. This Act also changed the budgetary status of social security. The Social Security Amendments of 1983 had already provided that beginning in 1993 the old-age and survivors insurance trust fund (OASI), the disability insurance trust fund (DI), and the hospital insurance trust fund (HI) would be excluded from the budget. The Gramm-Rudman-Hollings Act provided that OASI and DI (but not HI) be off-budget as of 1986, even though, as noted above, it also provided that their receipts and disbursements should be included in calculating the deficit targets. In order to provide consistent comparisons over time, the on-budget and off-budget amounts for previous years that are published in the budget documents are all calculated on the basis of the current definition of off-budget Federal entities.

<sup>3</sup> The "Perspectives" part of the 1986 and preceding *Budgets* describes the history of the off-budget Federal entities.

<sup>4</sup> Financial statements for the off-budget Federal entities are published in the chapter entitled "Department of Health and Human Services, Social Security," in the *Appendix, Budget of the United States Government, Fiscal Year 1988, Part I*.

<sup>5</sup> The Board of Governors of the Federal Reserve System is a Federal organization. It is excluded from the budget, from this discussion, and from the legislative proposals and changes in law. Financial statements are published for information purposes in the *Appendix, Part IV, "Government-Sponsored Enterprises."*

<sup>6</sup> The role of these particular deficit figures is explained in Part 6b of this volume.



COMPARISON OF TOTAL, ON-BUDGET, AND OFF-BUDGET TRANSACTIONS <sup>1</sup>

(In billions of dollars)

Fiscal year	Receipts			Outlays			Surplus or deficit (—)		
	Total	On-budget	Off-budget	Total	On-budget	Off-budget	Total	On-budget	Off-budget
1970.....	192.8	159.3	33.5	195.6	168.0	27.6	—2.8	—8.7	5.9
1971.....	187.1	151.3	35.8	210.2	177.3	32.8	—23.0	—26.1	3.0
1972.....	207.3	167.4	39.9	230.7	193.8	36.9	—23.4	—26.4	3.1
1973.....	230.8	184.7	46.1	245.7	200.1	45.6	—14.9	—15.4	0.5
1974.....	263.2	209.3	53.9	269.4	217.3	52.1	—6.1	—8.0	1.8
1975.....	279.1	216.6	62.5	332.3	271.9	60.4	—53.2	—55.3	2.0
1976.....	298.1	231.7	66.4	371.8	302.2	69.6	—73.7	—70.5	—3.2
TQ.....	81.2	63.2	18.0	96.0	76.6	19.4	—14.7	—13.3	—1.4
1977.....	355.6	278.7	76.8	409.2	328.5	80.7	—53.6	—49.7	—3.9
1978.....	399.6	314.2	85.4	458.7	369.1	89.7	—59.2	—54.9	—4.3
1979.....	463.3	365.3	98.0	503.5	403.5	100.0	—40.2	—38.2	—2.0
1980.....	517.1	403.9	113.2	590.9	476.6	114.3	—73.8	—72.7	—1.1
1981.....	599.3	469.1	130.2	678.2	543.0	135.2	—78.9	—73.9	—5.0
1982.....	617.8	474.3	143.5	745.7	594.3	151.4	—127.9	—120.0	—7.9
1983.....	600.6	453.2	147.3	808.3	661.2	147.1	—207.8	—208.0	0.2
1984.....	666.5	500.4	166.1	851.8	686.0	165.8	—185.3	—185.6	0.3
1985.....	734.1	547.9	186.2	946.3	769.5	176.8	—212.3	—221.6	9.4
1986.....	769.1	568.9	200.2	989.8	806.3	183.5	—220.7	—237.5	16.7
1987 est.....	842.4	628.4	214.0	1,015.6	821.1	194.5	—173.2	—192.7	19.5
1988 est.....	916.6	674.5	242.1	1,024.3	821.9	202.4	—107.8	—147.4	39.7
1989 est.....	976.2	712.8	263.4	1,069.0	857.3	211.7	—92.8	—144.5	51.7
1990 est.....	1,048.3	761.6	286.6	1,107.8	885.4	222.4	—59.5	—123.8	64.3
1991 est.....	1,123.2	815.4	307.7	1,144.4	911.1	233.3	—21.3	—95.7	74.4
1992 est.....	1,191.2	865.9	325.3	1,178.9	935.1	243.9	12.3	—69.1	81.4

<sup>1</sup> The division of transactions between on-budget and off-budget is based for all years on the current definition of off-budget Federal entities.

The accompanying table compares the total Federal Government receipts, outlays, and deficit with the amounts that are on-budget and off-budget (i.e., OASI and DI). In 1988 the off-budget receipts are an estimated 26 percent of total receipts, and the off-budget outlays are an estimated 20 percent of total outlays. The off-budget surplus of \$39.7 billion is significant relative to the on-budget deficit of \$147.4 billion. As shown in this table, off-budget receipts and outlays have grown more rapidly than the on-budget amounts since 1970 and are estimated to continue growing more rapidly through 1992. The off-budget entities in total had deficits during 1976–82, but because of the Social Security Amendments of 1983 and an improving economy they have had surpluses beginning in 1983 and are estimated to have growing surpluses through 1992.

**Taxation and Tax Expenditures.**—Taxation provides the Government with receipts, which withdraw purchasing power from the private sector in order to finance direct Government expenditure. In addition to this effect, the structure of the tax system has



important effects on the allocation of resources among private uses and the distribution of income among individuals. These effects are caused by the choice of taxes and by the structural characteristics of each of these different taxes—for example, by the rate schedules, exemptions, deductions, and exclusions of the individual income tax. The effects of taxation on resource allocation and income distribution are analogous to the effects of outlays.

Some features of the tax system have been defined as “tax expenditures” and receive special attention in the budget. Tax expenditures are defined as amounts attributable to provisions of the Federal income tax laws that allow a special exclusion, exemption, or deduction from gross income or that provide a special credit, a preferential rate of tax, or a deferral of tax liability. The Congressional Budget Act requires that estimates of tax expenditures be published in the budget.

Tax expenditures are so designated because they are one means by which the Federal Government pursues public policy objectives, and because in many cases they can be regarded as an alternative means of achieving the same objectives as direct expenditures. They can also be regarded as an alternative means of achieving the same objectives as other instruments of Government policy, such as loan guarantees, regulations, and provisions of the tax law other than those provisions that cause tax expenditures. There are numerous examples of the similarity in objective between tax expenditures and direct outlays. For instance, the cost of medical care is reduced both by direct Government expenditures for the medicare and medicaid programs and by the exclusion from individual income of the medical insurance premiums that employers pay for their employees; and the cost of borrowing by eligible persons and businesses is reduced both by direct loans at subsidized interest rates and by tax exemption for certain bonds. Similarly, State and local governments benefit both from direct grants and from the ability to borrow funds at tax-exempt rates; and individuals benefit both from social security payments and from the tax exemption of most of these payments.

Tax expenditures ordinarily result from permanent legislation. They therefore are not submitted to the Congress each year and do not routinely receive a formal and systematic annual review. In this sense they share a legislative status with entitlement programs, such as social security, which do not require annual appropriations. However, tax expenditures, other provisions of the income tax, and other tax laws are generally reviewed whenever fiscal policy decisions are considered regarding the overall level of tax receipts. As described in Part 4 of this volume, several major income tax laws have been adopted since 1981. Most recently the Tax Reform Act of 1986, which was enacted after a comprehensive



review of the income tax law by the Treasury Department and the Congress, made major revisions to both tax expenditures and other provisions of the individual and corporation income taxes.

The classification of certain provisions of law as resulting in tax expenditures requires some baseline tax structure against which the actual tax law can be compared. Deviations of the law from this baseline are deemed to cause tax expenditures. The Congressional Budget Act does not provide an exact specification of the baseline against which tax expenditures are to be measured.

The baseline used in the budget is intended to consist of the general provisions of the Internal Revenue Code. For the individual income tax, the baseline introduced in the 1983 budget specified those provisions that exist under current law for the definition of taxpaying units (including the separate corporation income tax), graduated rate schedules, personal exemptions, standard deductions, and basic accounting rules. The baseline before 1983 was similar, but in addition it required that the time pattern of depreciation deductions approximate the useful life of assets and that all cash transfers from government be included in calculating taxable income. By definition, characteristics of the tax structure included in the baseline do not give rise to tax expenditures.

The use of many of the general provisions of the Internal Revenue Code for defining both of these baseline tax structures makes it clear that listing an item as a tax expenditure does not imply that it is either a desirable or an undesirable provision. When different provisions of the Code are considered to be in the baseline, the list of tax expenditures is different and the amounts of particular tax expenditures may also be different. For example, in contrast with the baseline used in earlier years, the baseline introduced in the 1983 budget has considered the accelerated cost recovery system (ACRS) to be the general method for depreciating assets placed in service before January 1, 1987 (at which time the Tax Reform Act changed the general method for depreciating assets); this baseline therefore has included ACRS as part of the baseline deductions. This baseline has also excluded public assistance payments from baseline income. Therefore, under this baseline, unlike the pre-1983 baseline, tax expenditures do not arise from either the use of ACRS or the exclusion of public assistance benefits from adjusted gross income. The present budget shows tax expenditures relative to both of these baselines.

These two baselines are not the only ones that might be used. In particular, a baseline tax structure might reflect a truly comprehensive income tax base. A truly comprehensive income tax base, among other differences from present law, would adjust income for the effect of inflation; would integrate the individual and corporation income taxes rather than regard the separate tax treatment of



individuals and corporations as part of the baseline tax structure; would include imputed income, such as the consumption benefits received from owner-occupied homes; and would tax income when it was accrued instead of when it was realized. Thus, for example, the failure under present law to tax imputed income would be regarded as giving rise to tax expenditures. On the other hand, the failure under present law to take account of inflation in measuring capital gains, depreciation, and interest income would be regarded as negative tax expenditures, since these deviations from the comprehensive baseline would raise the amount of taxes paid. Consequently, under such a baseline structure, the list of tax expenditures and their estimated amounts would be different from what they are now.

Some of the items listed as tax expenditures under one or both of the present baselines can be regarded to some degree as inexact but practicable adjustments to correct for departures of the baseline from a fully comprehensive tax base. For example, the use of more accelerated depreciation methods than economic life—which is a tax expenditure under the pre-1983 baseline—may be regarded as a means of offsetting the failure to adjust depreciation deductions for increases in the price level.

Regardless of how the baseline is defined, the provisions of the tax law that do not result in tax expenditures deserve as much scrutiny as the provisions of the tax law that do. This is because the other provisions also have major effects on the allocation of resources and the distribution of income, and because these other provisions may be alternative means of achieving the same objectives or analogous objectives as tax expenditures achieve. For example, investment in equipment may be stimulated by either an increase in the investment tax credit or a decrease in the corporation income tax rate; the former is a change in a tax expenditure, but the latter is not. Similarly, income support may be provided by either the exclusion of social security benefits from taxable income or by the standard deduction; the former causes a tax expenditure, but the latter does not.

Tax expenditures are estimated in two steps. First, the revenue loss of a tax provision is estimated, i.e., the difference between tax receipts and the amount that tax receipts would be if the tax law conformed to a specified baseline. If removing a tax provision would increase taxable income, for example, the revenue loss is estimated as the increase in taxable income multiplied by the tax rate that would be paid on the additional income.

The revenue loss is then adjusted to an outlay equivalent, i.e., the amount of outlays that would be required to provide an equal after-tax income to the taxpayer as the special tax provision provides (and thereby also to provide an equal incentive). In many



cases the required outlays are greater than the revenue loss, because taxpayers would have to pay taxes on the higher income derived from the outlays. For example, one tax expenditure provision is the exclusion from taxable income of the value of housing and meals supplied to military personnel. If the Government were to repeal this tax exclusion and instead pay higher salaries, the increase in salaries would be taxed. Consequently, if the Government were to use taxable direct expenditures rather than tax expenditures and were to provide the same total after-tax compensation, the increase in direct outlays for higher salaries would have to be greater than the revenue loss under the special tax provision. The Federal deficit would be the same in either case, however, because higher outlays would be required only to the extent needed to make up the difference caused by higher tax receipts.

This adjustment makes the tax expenditures more comparable with direct outlays than the revenue loss would be and therefore more useful in analyzing Federal programs. For some tax expenditures, though, the revenue loss is equivalent to a direct outlay without any adjustment. Special Analysis G, "Tax Expenditures," presents estimates of tax expenditures defined both as outlay equivalents and as revenue losses, but for program analysis in this budget only the outlay equivalent estimates are used.

The size of a particular tax expenditure depends not only on the tax provision in question but also on the interaction of this provision with the rest of the tax structure. The reductions in the individual and corporation income tax rate schedules provided by the Tax Reform Act of 1986, for example, have automatically decreased most tax expenditures below what they otherwise would have been. A tax rate reduction decreases the amount of receipts that would be gained by repealing deductions, exemptions, and exclusions, because lower tax rates are applied to the increase in taxable income.

The interaction among tax provisions means that special calculations are generally needed to add tax expenditures together. For example, if more than one exclusion from individual income were ended, the gain in receipts would generally be greater than the sum of the separate tax expenditures, because some taxpayers would move into higher tax rate brackets. If more than one personal deduction were ended, the gain in receipts would generally be smaller than the sum of the separate tax expenditures, because some taxpayers would switch to using the standard deduction. Consequently, adding together separate tax expenditures would usually be inaccurate, and they are not aggregated in this budget except for specially computed totals by functional category.

Tax expenditures are presented at two places in the budget. Part 5, "Federal Programs by Function: Meeting National Needs," dis-



cusses the major tax expenditures in each functional category, together with outlays and guaranteed loans, in order to describe more fully the Government's policy. Special Analysis G, "Tax Expenditures," analyzes the concept and measurement of tax expenditures and presents a complete list of tax expenditure estimates for 1986-88. The discussion in Part 5 and the functional totals are based on the pre-1983 baseline.

As discussed in Part 4 of this volume, "Federal Receipts by Source," the Tax Reform Act of 1986 made major revisions to the individual and corporation income taxes. Many of its provisions repeal or directly reduce tax expenditures. For example, the investment tax credit is repealed, the personal deduction for sales taxes is eliminated, the personal deduction for interest on consumer credit is phased-out, the exclusion of contributions to individual retirement accounts (IRAs) is restricted, all of long-term realized capital gains are included in income, and the deductibility of passive business losses is limited. The Act also changed provisions of law other than tax expenditures, notably by decreasing the individual and corporation income tax rates and also by such provisions as raising personal exemptions and the standard deduction. To a significant extent the lower tax rates and the reduction in tax expenditures were a trade-off for each other.

The Administration is proposing some changes affecting tax collections in the present budget, which are largely trust fund reforms and initiatives to collect taxes owed but not paid. One tax expenditure would be repealed, the exclusion from income of the income replacement benefits for coal miners disabled by black lung disease. The other proposed measures would change receipts but not tax expenditures, such as repealing various exemptions from the gasoline and diesel fuel taxes and extending medicare (hospital insurance) coverage to the minority of State and local government employees who are now exempted.

**Regulation.**—Federal regulations provide a large variety of goods and services to the public, including the protection of the environment, the creation of incentives for the development of useful innovations, and the fair and efficient disbursement of Federal entitlements. These three types of regulatory activities are examples of the major categories of regulation: social, economic, and managerial. Social regulation generally establishes standards either for the characteristics of products or for the methods of producing products. Social regulations are usually aimed at curbing the unintended, harmful effects of products or production methods, such as pollution and accidents from industrial production or product use. Economic regulation directly controls prices and market entry in order to promote competition and curb monopolistic behavior. In the last ten years the scope of economic regulation at



the Federal level has been significantly reduced as the harmful effects of regulating naturally competitive industries have become better understood.<sup>7</sup> Finally, managerial regulation sets the conditions for the efficient and proper use of Government funds and property and ranges from the terms for procurement of Government purchases to the Federal tax code.

Social regulation differs from the other Federal activities outside the budget—from loan guarantees and tax expenditures, in particular, and also from the other forms of regulation—by directly requiring expenditures for specific public purposes rather than inducing desired private action by offering various types of incentives. Nevertheless, social regulatory activities are directly analogous to budget outlays in two important ways.

First, the expenditures required by regulation have many of the same overall economic effects on output, employment, prices, and growth as do budget outlays. The Federal Government finances outlays by diverting resources from the private sector through taxation or borrowing. Similarly, business firms finance expenditures required by regulation (e.g., for pollution control) by borrowing, increasing prices, reducing other expenditures, or reducing dividends. These, of course, are the same ways firms finance taxes and thus have the same general effects on the economy as do many taxes. The incentive effects on working, investing, and saving may differ from income taxes, however, to the extent that tax liability is more directly tied to earnings, profits, and interest income than is regulation. Thus regulation may be closer to user fees and excise taxes in such impacts than to income taxes. In such instances social regulation can be considered a cost of production.

Second, the effects of social regulation on the allocation of economic resources are also similar to the effects of budget outlays. Most fundamentally, in both cases private resources are diverted to public purposes. Furthermore, in many cases expenditures required by regulation may be an alternative means of achieving the same public policy objectives as budget outlays or other instruments of Government policy such as taxes, tax expenditures, or loan guarantees. For example, firms can be required by regulation to treat their effluents before dumping. Alternatively, public waste water treatment facilities can be constructed by direct expenditure of the Federal Government; such facilities can be constructed by States and localities with assistance in the form of Federal outlays for grants; they can be constructed by private firms with assistance from Federal loan guarantees for their borrowing, Federal income tax exemption for the interest on their bonds, or rapid amortization of their capital costs for determining their Federal income tax;

<sup>7</sup> A brief history of this deregulatory effort is presented in chapter 5, "Reforming Regulation: Utilizing Market Incentives," of the *Economic Report of the President* (February 1986).



or the Federal Government could even charge firms an effluent fee sufficient to cause them to cut back on their dumping by the same amount. The basic allocative effects are similar, although the efficiency of the method might differ from one policy instrument to another, and the implications for the distribution of income might also differ.

Perhaps the most basic procedural difference between budget outlays, loan guarantees, and tax expenditures on the one hand, and expenditures to meet social regulations on the other, is that no systematic accounting is kept of the latter. Some incomplete estimates of these expenditures have been made by adding up estimates of the costs of individual regulations made by various researchers, who often use different methods, assumptions, and time periods. Not surprisingly, these estimates show considerable variation. They range from about \$50 billion to \$150 billion per year, which is equal to about 5 to 15 percent of Federal outlays.

The Federal Government thus does not currently have any formal accounting of regulatory costs or any process analogous to the budget process for the purposes of reviewing and controlling regulatory costs, either in the aggregate or for individual programs. Nevertheless, new regulatory activities are now examined under a formal review process established by Executive Order 12291, issued in February 1981, and Executive Order 12498, issued in January 1985. Executive Order 12291 established regulatory principles and required each agency covered by the Order to adhere to them, to the extent permitted by law. Agencies must also submit drafts of proposed and final rules and drafts of regulatory impact analyses, before they are issued, to the Office of Management and Budget for review for consistency with the President's principles. According to these principles, agencies must:

- base regulations upon adequate information concerning the need for and consequences of the proposed action,
- not issue regulations unless the potential benefits to society outweigh the potential costs to society, and
- select the alternative approach to a given regulatory objective that involves the least net cost to society.

These policies are conducted within the statutory authorities of the agencies and apply only to the extent of the discretion given by the statutes to Federal regulatory officials.

Executive Order 12498 established that an annual regulatory program would be developed and published each year in order to explain the Administration's regulatory plan and priorities for the upcoming year. Agencies are required to submit to the Office of Management and Budget a statement of the regulatory policies, goals, and objectives they intend to pursue during the coming year. This Executive Order also directs the agencies to provide summary



descriptions of all significant regulatory actions underway or planned for the coming year. The Office of Management and Budget is directed by the Executive Order to review each agency's draft regulatory program for consistency with the Administration's regulatory policies and priorities and with the regulatory programs submitted by other agencies. The first *Regulatory Program of the United States Government* was published August 8, 1985, and the second on August 7, 1986.

This program moves the regulatory oversight process a step closer toward the budgetary process, because the Administration's priorities and goals are now spelled out in one document for Congress and the American people to understand and review. This process, however, cannot deal systematically with the overall impact of regulatory activities on the economy until an estimate of the annual incremental expenditures required by regulation is made. This is extremely difficult because, unlike budgetary decisions, regulatory decisions are still to a large extent made on an individual basis.

In an effort to determine better the overall effects of regulatory activities and to improve the regulatory oversight process, members of Congress and the past two Administrations have considered developing an accounting framework to track expenditures directly required by regulation. This framework, however, is still in the proposal stage, and more work needs to be done to solve the practical accounting problems inherent in measuring private regulatory expenditures.

One practical problem is that in order to get accurate expenditure figures it might be necessary to ask private firms and individuals to keep records, which would create a considerable compliance burden. Second, estimating which expenditures were made because of a regulation compared to which would have occurred in the absence of regulation is often extremely subjective. For example, in the absence of regulations for automobile safety standards some level of safety would still be built into vehicles, but since the amount is unknown the additional cost of regulation cannot be calculated accurately. A third type of problem arises because the indirect costs of regulation are extremely difficult to estimate and probably are relatively more important for regulation than for spending and taxing.

Indirect costs result when regulation reduces otherwise desirable economic activities by raising production or product costs, by making the product less desirable, or, in the extreme, by banning the product or making it unprofitable to produce. The economic loss caused by this decline in economic activity is the excess of the value to consumers of this forgone output above the costs of production. Since this indirect cost is not directly measurable, and can



only be estimated by complicated statistical models, it would be problematic to combine estimates of these indirect costs with the direct costs of regulation. Yet measuring only the direct expenditure costs of regulation for use in an oversight program may create a bias toward banning substances and products rather than controlling them, since banning a product, service, or manufacturing process mainly gives rise to indirect costs. These practical problems, although important, do not appear to be intractable. They should be addressed, however, in developing an accounting system for measuring the aggregate impacts of regulation.

### BUDGET FUNDS AND THE FEDERAL DEBT

The budget consists of two major groups of funds: Federal funds and trust funds. The Federal funds are derived mainly from tax receipts and borrowing and are used for the general purposes of the Government. Most of these funds are not restricted by law to any specific Government program. The trust funds, on the other hand, collect certain taxes and other receipts for specified purposes, such as paying social security and unemployment insurance benefits. The social security trust funds (old-age and survivors insurance and disability insurance) are now excluded from the budget by law and classified as off-budget Federal entities.

The budget includes the receipts and outlays of both the Federal funds and the on-budget trust funds and, as shown in the table on the next page, deducts the various transactions that occur between them in order to arrive at the on-budget totals for receipts, outlays, and the deficit. The on-budget totals plus the off-budget totals may be added, as shown in this table, to arrive at the total receipts, outlays, and deficit of the Federal Government. These latter totals for receipts and outlays thus generally represent the net transactions of the Federal Government with the public.<sup>8</sup>

Therefore, as shown in the subsequent table, the Federal deficit or surplus is the principal determinant of the change in the Federal debt held by the public.<sup>9</sup> The Federal deficit, together with the other factors noted in this table, is estimated to increase the Federal debt held by the public by \$162.2 billion in 1987 and \$106.7 billion in 1988.<sup>10</sup> These borrowing projections are based on deficits that are consistent with the economic assumptions explained in Part 3a of this volume.

<sup>8</sup> Special Analysis C, "Funds in the Budget," discusses further the two major groups of funds and the off-budget Federal entities.

<sup>9</sup> Table 6 in Part 6c of this volume contains more detail on budget financing through 1992 and shows the levels of debt from 1986 to 1992. Federal borrowing and debt are discussed extensively in Special Analysis E, "Borrowing and Debt." Historical data since 1940 are published in *Historical Tables, Budget of the United States Government, Fiscal Year 1988*.

<sup>10</sup> Some of the data on borrowing and debt for 1985 and 1986 have been retroactively revised from the amounts previously published in budget documents and Treasury reports. These changes are discussed in Special Analysis E.



## TRANSACTIONS BY FUND GROUP

(In billions of dollars)

	1986 actual	1987 estimate	1988 estimate	1989 estimate	1990 estimate
<b>Receipts:</b>					
On-budget:					
Federal funds .....	473.5	526.1	569.0	601.4	645.7
Trust funds .....	206.9	215.1	232.5	243.9	257.3
Interfund transactions .....	-111.6	-112.9	-127.1	-132.5	-141.3
Total, on-budget receipts .....	568.9	628.4	674.5	712.8	761.6
Off-budget (trust funds) .....	200.2	214.0	242.1	263.4	286.6
Total, Federal Government receipts .....	769.1	842.4	916.6	976.2	1,048.3
<b>Outlays:</b>					
On-budget:					
Federal funds .....	756.5	769.1	780.5	813.3	840.5
Trust funds .....	161.4	164.8	168.5	176.6	186.2
Interfund transactions .....	-111.6	-112.9	-127.1	-132.5	-141.3
Total, on-budget outlays .....	806.3	821.1	821.9	857.3	885.4
Off-budget (trust funds) .....	183.5	194.5	202.4	211.7	222.4
Total, Federal Government outlays .....	989.8	1,015.6	1,024.3	1,069.0	1,107.8
<b>Surplus or deficit (-):</b>					
On-budget:					
Federal funds .....	-283.0	-243.0	-211.4	-211.8	-194.9
Trust funds .....	45.5	50.3	64.0	67.3	71.1
Total, on-budget surplus or deficit (-) .....	-237.5	-192.7	-147.4	-144.5	-123.8
Off-budget (trust funds) .....	16.7	19.5	39.7	51.7	64.3
Total, Federal Government surplus or deficit (-) .....	-220.7	-173.2	-107.8	-92.8	-59.5

Gross Federal debt is the sum of the debt held by the public and the debt held by the Government itself, which includes such investments as the Treasury debt held by the social security, unemployment, and other trust funds. At the end of 1988 gross Federal debt is estimated to be \$2,585.5 billion, of which debt held by the Government itself is \$570.4 billion and debt held by the public is \$2,015.1 billion. Thus, gross Federal debt is much larger than the Federal debt held by the public.

Gross Federal debt is estimated to rise by \$213.0 billion during 1988. As indicated in the lower section of the following table, \$106.3 billion of this increment will be held in trust funds and other Government accounts. This is nearly all due to the investment of trust fund surpluses in Treasury debt.

The gross Federal debt consists almost entirely of securities issued by the Treasury Department. However, a few Government agencies are authorized to issue their own debt instruments to the public or to other Government accounts. These securities are part of the gross Federal debt. At the end of 1986 the public held \$3.7



FEDERAL GOVERNMENT FINANCING AND CHANGE IN DEBT OUTSTANDING <sup>1</sup>

(In billions of dollars)

Description	1986 actual	1987 estimate	1988 estimate	1989 estimate	1990 estimate
<b>Surplus or deficit (—)</b> .....	—220.7	—173.2	—107.8	—92.8	—59.5
On-budget.....	(—237.5)	(—192.7)	(—147.4)	(—144.5)	(—123.8)
Off-budget.....	(16.7)	(19.5)	(39.7)	(51.7)	(64.3)
<b>Means of financing other than borrowing from the public:</b>					
Decrease or increase (—) in Treasury operating cash balance.....	—14.3	11.4			
Increase or decrease (—) in:					
Checks outstanding, etc.....	1.9	1.9	1.8		
Deposit fund balances.....	—3.5	—2.8	—1.2		
Seigniorage on coins.....	.4	.4	.4	.4	.4
Total, means of financing other than borrowing from the public....	—15.6	10.9	1.0	.4	.4
Total, requirements for borrowing from the public.....	—236.3	—162.2	—106.7	—92.3	—59.1
<b>Change in debt held by the public</b> .....	236.3	162.2	106.7	92.3	59.1
Change in Federal debt held by Government accounts:					
Federal funds.....	.9	— .9	1.2		
Trust funds (on-budget) <sup>2</sup> .....	63.3	61.5	66.6	67.3	71.1
Off-budget Federal entities (trust funds) <sup>3</sup> .....	8.6	19.5	39.7	51.7	64.3
Deposit funds <sup>4</sup> .....	—3.4	—2.8	—1.2		
Total, change in Federal debt held by Government accounts....	69.4	77.3	106.3	119.0	135.4
<b>Change in gross Federal debt</b> .....	305.7	239.5	213.0	211.4	194.4

<sup>1</sup> Several amounts have been assumed to be zero in 1988-90 because they are usually small and cannot be estimated accurately.<sup>2</sup> Estimates for 1989 and 1990 are equal to the surplus of the trust funds on-budget.<sup>3</sup> Estimates for 1989 and 1990 are equal to the surplus of the trust funds off-budget.<sup>4</sup> Only those deposit funds classified as Government accounts.

billion of agency debt, most of which was issued some years ago by agencies that no longer borrow or that borrow only from the Federal Financing Bank (FFB). The FFB finances its purchases of agency debt mostly by borrowing from the Treasury, which in turn borrows from the public. The agency debt held by the FFB is not included in gross Federal debt, in order to prevent double counting. Almost all the new agency borrowing from the public is inherent in the way that the agency operates a program. In particular, during 1986 the Federal Deposit Insurance Corporation began to issue notes as part of some agreements with prospective purchasers to buy failing banks. The issuance of these notes is an outlay and a borrowing.<sup>11</sup>

Almost all Treasury securities are covered by a general statutory debt limitation. The present limit is \$2,300 billion through May 15,

<sup>11</sup> This type of transaction is discussed more fully in Special Analysis E, "Borrowing and Debt."



## FEDERAL FUNDS FINANCING AND CHANGE IN DEBT SUBJECT TO LIMIT

(in billions of dollars)

Description	1986 actual	1987 estimate	1988 estimate
<b>Federal funds surplus or deficit (—)</b> .....	— 283.0	— 243.0	— 211.4
<b>Means of financing other than borrowing:</b>			
Decrease or increase (—) in Treasury operating cash balance.....	— 14.3	11.4	
Increase or decrease (—) in:			
Checks outstanding, etc.....	— 7.7	— 9.3	— 9
Deposit fund balances.....	— 3.5	— 2.8	— 1.2
Seigniorage on coins.....	.4	.4	.4
<b>Total, means of financing other than borrowing.....</b>	<b>— 25.1</b>	<b>— .2</b>	<b>— 1.6</b>
Decrease or increase (—) in Federal debt held by Federal funds and deposit funds <sup>1</sup> .....	2.5	3.7	— *
Increase or decrease (—) in Federal funds debt not subject to limit.....	18.5	— 2.8	— 6.7
<b>Total, requirements for borrowing subject to debt limit.....</b>	<b>— 287.2</b>	<b>— 242.3</b>	<b>— 219.7</b>
<b>Change in debt subject to limit .....</b>	<b>287.2</b>	<b>242.3</b>	<b>219.7</b>

\* \$50 million or less.

<sup>1</sup> Only those deposit funds classified as Government accounts.

1987, at which time it is scheduled to return to \$2,111 billion. The debt subject to limit is estimated to rise to \$2,353.3 billion by the end of 1987. Therefore, in order to permit the Federal Government to meet its obligations, the limit will have to be raised.

Debt subject to the general statutory limit, like gross Federal debt, includes debt held internally within the Government, such as the Treasury issues held by the social security trust funds. Debt subject to the statutory limit is therefore much larger than the debt held by the public and is nearly as large as gross Federal debt. It is a little less than gross Federal debt because a few types of Treasury debt and most agency debt are excluded from the general statutory limitation.

Since trust fund surpluses for the most part have been invested in debt securities, rather than being held as cash assets, the Federal funds deficit must be financed primarily by borrowing. This debt is almost entirely subject to the statutory limit. As shown in the table above, the estimated Federal funds deficit is \$211.4 billion in 1988, and the estimated increase in debt subject to statutory limit is \$219.7 billion. Thus, the Federal funds deficit approximately accounts for the increase in the debt subject to limit.

#### COMPARISON OF ACTUAL AND ESTIMATED FEDERAL GOVERNMENT TOTALS FOR 1986

The following sections compare the actual 1986 receipts, outlays, and deficit with the amounts estimated in the 1986 budget, which was transmitted to the Congress in February 1985 for the fiscal year ending on September 30, 1986.



**Comparison of Receipts.**—Receipts in 1986 were \$769.1 billion, which is \$24.6 billion less than the February 1985 estimate of \$793.7 billion. This was the net effect of differences in tax law from the legislation proposed in the 1986 budget, lower than anticipated incomes, and different collection patterns and effective tax rates than had been assumed.

#### COMPARISON OF ACTUAL 1986 RECEIPTS WITH THE FEBRUARY 1985 ESTIMATES

(In billions of dollars)

	February 1985 estimate <sup>1</sup>	Differences in tax law from 1985 proposals	Different economic conditions	Technical factors	Net change	Actual
Individual income taxes.....	362.8	0.6	-14.8	0.4	-13.9	349.0
Corporation income taxes.....	74.1	0.6	-13.1	1.5	-10.9	63.1
Social insurance taxes and contributions.....	285.4	-0.4	-0.5	-0.6	-1.5	283.9
Excise taxes.....	35.0	0.9	-2.8	-0.2	-2.1	32.9
Estate and gift taxes.....	5.3	.....	*	1.6	1.6	7.0
Customs duties.....	12.3	.....	1.1	-0.1	1.0	13.3
Miscellaneous receipts.....	18.7	.....	-1.9	3.1	1.2	19.9
Total.....	793.7	1.8	-32.1	5.7	-24.6	769.1

\*\$50 million or less.

<sup>1</sup> The February 1985 estimates have been adjusted by the following amounts to reflect changes in the classification of taxes on social security benefits: individual income taxes (\$4.0 billion), social insurance taxes and contributions (-\$4.1 billion), and miscellaneous receipts (\$0.1 billion).

Differences in tax law from the legislation proposed in the budget increased 1986 receipts by \$1.8 billion. These legislative differences consisted of congressional inaction on, or modification of, the proposals in the 1986 budget, and of changes in law that the administration did not propose at that time.

Several user fees and trust fund reforms were proposed in the 1986 budget. Other proposed changes included incentives for higher education, a tuition tax credit, and incentives for the redevelopment of economically distressed areas. Altogether, the February 1985 proposals were estimated to reduce 1986 receipts by an estimated \$0.2 billion.

The Consolidated Omnibus Budget Reconciliation Act of 1985 (COBRA) and several temporary extensions of the 16 cents per pack excise tax on cigarettes, which would have otherwise expired on September 30, 1985, were the only major tax changes enacted after February 1985 that affected 1986 receipts. Several of the provisions of COBRA were modifications of the user fees and trust fund reforms proposed in the budget; but others, such as the permanent extension of the 16 cents per pack cigarette excise tax and the extension of medicare coverage to State and local employees hired after March 31, 1986, had not been proposed in the budget. The provisions of COBRA, together with the previous temporary extensions of the cigarette excise tax and several minor legislative changes, increased 1986 receipts by \$1.6 billion, which is \$1.8 billion more than the administration had proposed.



Differences between the economic assumptions upon which the original receipts estimates were made and the actual outcome—primarily incomes and oil prices that proved to be lower than anticipated—accounted for a net decrease in receipts of \$32.1 billion. Individual income taxes were reduced \$14.8 billion due to lower than expected personal incomes. Lower than anticipated corporate profits reduced collections of corporation income taxes by \$13.1 billion. Declining oil prices, which reduced collections of the windfall profit excise tax, were primarily responsible for the decrease in excise taxes of \$2.8 billion. Higher than expected imports, due primarily to the continued strength of the dollar relative to foreign currencies, increased customs duties by \$1.1 billion.

Different collection patterns and effective tax rates than had been assumed in February 1985 increased collections of individual and corporation income taxes by \$0.4 billion and \$1.5 billion, respectively. Technical factors, including higher holdings of debt securities by the Federal Reserve, increased other sources of receipts by a net \$3.8 billion.

**Comparison of Outlays.**—Outlays for 1986 were \$989.8 billion, which is \$16.1 billion higher than the initial estimate made by the Administration in its budget transmitted to Congress in February 1985. This section reviews the major causes of the increase.

The following table compares the initial outlay estimate with the actual outlay total and shows both as a percentage of GNP. Total outlays were 1.6 percent above the initial estimate. The table also compares defense with nondefense outlays. Actual outlays for defense were 4.3 percent below the initial estimate, while outlays for nondefense programs were 4.1 percent higher.

#### 1986 OUTLAY DIFFERENCES

(Dollars in billions)

	February 1985 estimate	Actual	Percent change
Total outlays .....	973.7	989.8	1.6
National defense .....	(285.7)	(273.4)	-4.3
Nondefense .....	(688.0)	(716.4)	4.1
Total outlays as a percent of GNP .....	23.2	23.8	2.6

**Chronology of the outlay increase.**—The Administration's initial estimate for outlays for 1986 was \$973.7 billion. The table below shows subsequent revisions to this estimate. In April 1985, the estimate decreased by \$2.0 billion largely due to lower inflation assumptions that reduced estimates of cost-of-living adjustments for indexed programs and also due to technical reestimates for Rural Electrification Administration lending. This decline continued through August 1985, when outlay estimates were reduced by



\$14.0 billion. This was primarily the result of the Administration's acceptance of the lower defense levels included in the 1986 Congressional Budget Resolution. These decreases were more than offset by an increase of \$22.2 billion in the 1987 budget. The largest increases were for farm price supports, net interest, and general revenue sharing. In August 1986, the outlay estimate was revised upward by \$15.5 billion. This was largely the result of technical reestimates spread among numerous accounts, but primarily for the national defense function, farm price supports, and Federal Deposit Insurance Corporation. Technical reestimates for many programs account for actual outlays being \$5.6 billion below the August 1986 estimate, with lower outlays for net interest and other programs partially offset by higher outlays for national defense and medicare.

#### CHRONOLOGY OF THE 1986 OUTLAY INCREASE

(In billions of dollars)

February 1985 estimate (1986 Budget) .....	973.7
Changes from previous estimate:	
April 1985 (April Update): Decreases of \$1.4 billion for social security, \$1.3 billion for the Rural Electrification Administration, and \$1.3 billion in net interest were partially offset by increases of \$0.5 billion for medicare and a \$0.6 billion decline in offsetting receipts from the Outer Continental Shelf.....	-2.0
August 1985 (Mid-Session Review): Decreases of \$18.6 billion for the national defense function, \$3.2 billion for net interest, and \$0.6 billion for medicare were partially offset by an increase of \$2.9 billion for farm price supports .....	-14.0
February 1986 (1987 Budget): Increases of \$7.0 billion for farm price supports, \$4.6 billion for net interest, \$3.2 billion for general revenue sharing, \$2.9 billion for income security, \$2.3 billion for agricultural credit insurance, and a variety of other domestic programs were partially offset by decreases of \$3.4 billion for foreign aid and \$1.3 billion for the national defense function .....	22.2
August 1986 (Mid-Session Review): Increases of \$5.6 billion for the national defense function, \$5.2 billion for farm price supports, \$2.6 billion for the Federal Deposit Insurance Corporation, \$1.3 billion for the Federal Savings and Loan Insurance Corporation, and \$0.9 billion for the Federal ship financing fund were partially offset by decreases of \$3.8 billion for net interest, \$0.9 billion for the Export-Import Bank, \$0.7 billion for the Postal Service, and \$0.6 billion for social security.....	15.5
September 30, 1986: Decreases of \$3.0 billion in net interest, \$1.4 billion for international monetary programs, and \$1.0 billion for the Farmers Home Administration were partially offset by increases of \$2.0 billion for the national defense function, and \$1.1 billion for medicare.....	-5.6
Total increase.....	16.1
Actual.....	989.8

*Major causes of the increase.*—The following table distributes the \$16.1 billion increase in outlays according to three categories: (1) policy changes, (2) economic conditions, and (3) estimating and other differences. The amounts in the first two categories represent approximations for the major items, while the third category is a residual.

*Policy changes* to the 1986 budget proposals were a result of revised Administration proposals and congressional action that differed from the initial Administration proposals. The net effect of



all policy changes was a \$9.3 billion increase in outlays. This effect includes the \$11.7 billion decrease in outlays associated with the across-the-board reductions and other cuts required by the Gramm-Rudman-Hollings Act. Outlays for national defense programs were \$19.9 billion lower than proposed, due to policy change, whereas outlays for nondefense programs were \$29.2 billion higher. This pattern of decreased defense outlays and increased nondefense outlays also occurred for budget proposals in the four previous years.

Outlays for nondefense discretionary programs, including credit programs, were almost \$7 billion above the Administration's original proposals due to policy changes. This includes increases in regular and supplemental appropriations bills, as well as partial offsets from the Gramm-Rudman-Hollings cuts.

Outlays for benefit payments for individuals were \$6.8 billion above the Administration's proposals due to policy changes. Policy changes, largely congressional unwillingness to enact savings proposed by the Administration, increased outlays for medicare by \$3.9 billion. Administration proposals to reform medicaid, aid to families with dependent children (AFDC), child nutrition, and guaranteed student loans were also not enacted, thus increasing outlays by \$2.5 billion from the President's original proposals.

#### SUMMARY OF REASONS FOR DIFFERENCE IN 1986 OUTLAYS

(In billions of dollars)

	Total
Reasons for difference (net):	
Policy changes.....	9.3
Economic conditions.....	-4.9
Estimating differences and other changes.....	11.7
Total.....	16.1

Policy changes for other mandatory programs increased non-defense outlays by \$10.3 billion. The advanced deficiency payments and marketing loans required by the farm bill of 1985 caused a \$5.3 billion increase in outlays for farm price supports. Outlays for general revenue sharing were \$3.9 billion higher than proposed because of a delay in the termination of the program and a timing shift in the payment for the last quarter of 1986.

Policy differences affecting collections that offset outlays increased net outlays by \$5.3 billion. Most of this change was due to congressional unwillingness to enact legislation to authorize the sale of Conrail in 1986 and to implement most of the user fees proposed by the Administration. It also reflects congressional inaction on proposals to partially finance low-income home energy assistance with recovered oil overcharge funds; to change the formula for sharing mineral and timber receipts with the States; and



to liquidate the loan portfolio of the Small Business Administration.

*Economic conditions* differed from those forecast in February 1985 as shown in the following table. Growth in real GNP fell short of the growth projected by 1.1 percentage points and 1.3 percentage points for 1985 and 1986, respectively. Inflation, as measured by both the GNP deflator and the Consumer Price Index, was lower than projected for both 1985 and 1986. The total unemployment rate was higher than anticipated in 1985 by 0.1 percentage point and was correctly forecast for 1986. Interest rates, as measured by the 91-day Treasury bill rate, were 0.6 percentage point lower than projected in 1985 and 1.9 percentage points lower in 1986.

#### COMPARISON OF FEBRUARY 1985 ECONOMIC FORECAST AND ACTUAL ECONOMIC PERFORMANCE

(Calendar years)

	February 1985 estimate		Actual		Difference	
	1985	1986	1985	1986	1985	1986
Percent change:						
GNP (constant dollars): 4th quarter over 4th quarter <sup>1</sup> ..	4.0	4.0	2.9	2.7	-1.1	-1.3
Inflation (4th quarter over 4th quarter):						
GNP deflator <sup>1</sup> .....	4.3	4.3	3.3	2.6	-1.0	-1.7
Consumer Price Index (CPI) .....	4.2	4.3	3.3	0.9	-0.9	-3.4
Total unemployment rate (annual average) .....	7.0	6.9	7.1	6.9	0.1	.....
Interest rate (91-day bills, annual average) .....	8.1	7.9	7.5	6.0	-0.6	-1.9

<sup>1</sup> February 1985 estimates based on data prior to the December 1985 benchmark revision of the national income and product accounts.

The difference between the economic forecast and economic performance resulted in a net outlay decrease of \$4.9 billion. Estimates of the major components of this decrease are shown in the following table. Lower inflation reduced outlays by \$1.1 billion. Social security accounts for half of this change. Although the total unemployment rate was correctly forecast for the fiscal year, weekly benefit amounts were higher than expected, which increased unemployment compensation outlays by \$1.4 billion. Outlays decreased by \$7.3 billion due to the net effect of lower interest rates and the increased borrowing associated with changes in economic conditions.

*Estimating differences and other changes* account for a \$11.7 billion increase in 1986 outlays. The largest estimating adjustments were for national defense programs and farm price supports. Outlays for national defense programs were up by \$7.6 billion due to greater spending for procurement than anticipated. Crop production and farm participation were greater than estimated, resulting in an outlay increase of about \$10.0 billion for the Commodity Credit Corporation.

*Comparison of the Deficit.*—The preceding two sections discuss in detail the differences between the February 1985 budget estimates



**EFFECT OF DIFFERENCES BETWEEN ESTIMATED AND ACTUAL ECONOMIC CONDITIONS ON 1986  
OUTLAYS**

(in billions of dollars)

	<i>Difference</i>
Unemployment assumptions (Unemployment compensation) .....	+1.4
Price differences:	
Cost of living adjustments:	
Social security .....	-0.6
Other .....	-0.6
Medical prices:	
Medicare and medicaid .....	+0.2
Subtotal, price differences .....	<u>-1.1</u>
Interest differences:	
Net interest:	
Interest rates .....	-7.7
Differences in borrowing <sup>1</sup> .....	+1.0
Other .....	-0.6
Subtotal, interest differences .....	<u>-7.3</u>
Offsetting receipts from the Outer Continental Shelf .....	<u>+2.1</u>
Total .....	<u>-4.9</u>

<sup>1</sup> Includes only the effect of differences in borrowing associated with differences in economic conditions.

and the actual amounts of Federal Government receipts and outlays in 1986. This section summarizes the net impact of these differences on estimates of the deficit.

The deficit for 1986 was originally estimated to be \$180.0 billion; the actual deficit was \$220.7 billion, a \$40.7 billion increase. The following table shows the approximate distribution of this difference according to three categories: (1) policy; (2) economic conditions that were different from the original forecast; and (3) estimating and other technical differences. Each category is subdivided to show the impact of receipts compared to outlays. An increase in receipts is shown as positive because it reduces the deficit, while an increase in outlays is shown as negative because it raises the deficit.

The actual deficit was above the initial estimate due to both large reductions in receipts and large increases in outlays. Almost two-thirds of the increase in the deficit was caused by economic conditions. The remaining increase was caused by both technical reestimates and policy changes.

Changes in economic conditions account for a \$27.2 billion increase in the deficit. Receipts decreased due to lower than anticipated incomes and oil prices. This was offset to only a limited extent by lower outlays resulting from lower interest rates than had been estimated. Policy changes increased the deficit by \$7.5 billion. Technical reestimates, which increased outlays much more



## SUMMARY OF REASONS FOR THE DIFFERENCE IN THE 1986 DEFICIT

(In billions of dollars)

	Total
February 1985 estimate of surplus or deficit (—) .....	—180.0
Changes:	
Policy:	
Receipts .....	1.8
Outlays .....	—9.3
Subtotal, policy .....	—7.5
Economic conditions:	
Receipts .....	—32.1
Outlays .....	4.9
Subtotal, economic conditions .....	—27.2
Estimating and other differences:	
Receipts .....	5.7
Outlays .....	—11.7
Subtotal, estimating and other differences .....	—6.0
Total, changes .....	—40.7
Actual surplus or deficit (—) .....	—220.7
<b>MEMORANDUM</b>	
Total change in receipts .....	—24.6
Total change in outlays .....	—16.1

Note: Receipt increases and outlay decreases are shown as positive because they lower the deficit.

than they increased receipts, further raised the deficit by \$6.0 billion.

### COMPARISON OF THE ACTUAL AND ESTIMATED RELATIVELY UNCONTROLLABLE OUTLAYS FOR 1986

Outlays in any one year are considered to be relatively uncontrollable when the program level is determined by existing statutes or by contracts or other obligations. Outlays for these programs generally depend on factors that are beyond administrative control under existing law at the start of the fiscal year. For example, the criteria making people eligible for programs like medicaid and civil service retirement is established by law. Prior-year contracts and obligations are also legally binding.

Relatively uncontrollable outlays are grouped into two major categories: (1) open-ended programs and fixed costs, for which outlays are generally mandated by law; and (2) payments from prior-year contracts and obligations, for which outlays are required because of previous action, such as entering into contracts. Estimates of relatively uncontrollable outlays are for outlays mandated under existing law (i.e., they exclude any effect of proposed legislation on the programs).



A number of factors may cause differences between the amounts estimated in the budget and the actual outlays. For example, legislation may change benefit rates or coverage; the actual number of beneficiaries may differ from the number estimated; and economic conditions (such as interest rates) may differ from what was assumed in making the estimates.

The following table shows the differences between actual outlays for relatively uncontrollable programs in 1986 and the amounts estimated in the 1986 budget. The list of programs is the same as in Table 16 (Controllability of Outlays) in Part 6c of this volume. Actual outlays for relatively uncontrollable programs in 1986 were \$745.4 billion, which is \$1.4 billion or 0.2 percent below the initial estimate based on existing law in February 1985. Outlays for open-ended programs and fixed costs were \$4.5 billion above the initial estimate (adjusted for comparable coverage), while outlays from prior-year contracts and obligations were \$5.8 billion lower.

## RELATIVELY UNCONTROLLABLE OUTLAYS FOR 1986

(In billions of dollars)

Relatively uncontrollable under present law	February 1985 estimate (existing law)	Actual	Change
Open-ended programs and fixed costs:			
Payments for individuals:			
Social security and railroad retirement.....	203.4	199.9	-3.5
Federal employees' retirement and insurance.....	54.1	52.9	-1.2
(Military retired pay) .....	(18.3)	(17.6)	(-0.7)
(Other) .....	(35.8)	(35.3)	(-0.5)
Unemployment compensation .....	14.8	16.3	1.5
Medical care .....	96.8	97.8	1.0
Assistance to students .....	4.6	4.5	-0.1
Food and nutrition assistance .....	4.1	3.8	-0.3
Public assistance and related programs .....	23.1	24.5	1.5
Other .....	2.9	2.9	*
Subtotal, payments for individuals.....	403.7	402.6	-1.2
Other open-ended programs and fixed costs:			
Net interest .....	142.9	136.0	-7.0
General revenue sharing .....	4.6	5.1	0.5
Farm price supports (CCC) .....	12.3	25.8	13.5
Other .....	-4.0	-5.4	-1.4
Subtotal, other open-ended programs and fixed costs .....	155.9	161.5	5.6
Total, open-ended programs and fixed costs .....	559.6	564.1	4.5
Outlays from prior-year contracts and obligations:			
National defense .....	109.2	107.8	-1.4
Nondefense .....	78.0	73.5	-4.4
Total, outlays from prior-year contracts and obligations .....	187.2	181.3	-5.8
Total, relatively uncontrollable outlays .....	746.8	745.4	-1.4

\* \$50 million or less.



Payments for individuals, which are essentially income transfers, were 71.4 percent of all open-ended programs and fixed costs in 1986. Actual outlays for these payments were \$1.2 billion lower than originally estimated. This decrease was the net effect of legislative action, differences between actual and assumed economic conditions, differences between the anticipated and actual number of beneficiaries, and other technical adjustments.

Outlays for social security and railroad retirement, the largest category of payments for individuals, were \$3.5 billion lower than estimated. Outlays for social security were \$3.2 billion below the initial estimate because of fewer retroactive benefit payments, fewer beneficiaries, and smaller cost of living adjustments as a result of lower inflation.

Federal employees' retirement and disability insurance programs consist of military retirement, civilian employee retirement and disability, and veterans service-connected compensation. Except for the latter, these benefits are automatically indexed to the consumer price index. However, as a result of the sequester required by Gramm-Rudman-Hollings, the 1986 cost-of-living increase for military and civilian retirement benefits was eliminated. Total outlays were \$1.2 billion below the budget estimate of outlays under existing law because of the elimination of this cost-of-living increase and technical factors.

Outlays for unemployment compensation programs were \$1.5 billion above the initial estimate. This increase was the result of higher weekly benefit amounts than had been estimated, as well as legislation that extended the Trade Adjustment Assistance program.

Outlays for medical care were \$1.0 billion higher than originally estimated. Medicare outlays were \$0.6 billion or 1.2 percent above the initial estimate. Outlays for the medicaid program were \$0.2 billion or 1.0 percent above the initial estimate. Both programs experienced higher outlays as a result of increased utilization of services and higher medical costs. The increases in medicare resulting from these factors were largely offset by legislative savings.

Assistance to students consists of GI bill benefits and the guaranteed student loan program. Outlays for these programs were not significantly different from the original estimates.

Food and nutrition assistance includes the child nutrition and special milk programs. Outlays for the child nutrition program were \$0.3 billion below the original estimate largely because of lower than anticipated inflation.

Public assistance and related programs include family support payments, supplemental security income, outlays for earned income tax credits, and veterans non-service-connected pensions. Outlays for these programs were \$1.5 billion above the estimate.



Most of this increase was in family support payments to States, which were a result of delayed error liability collections from States and higher than estimated State caseload and average benefits levels.

Relatively uncontrollable outlays for all other payments for individuals were not significantly different than originally estimated.

Open-ended programs and fixed costs other than payments for individuals were 28.6 percent of all open-ended programs and fixed costs in 1986. Outlays for net interest were \$7.0 billion or 4.9 percent lower than the original estimate. This decrease is the net effect of lower than expected interest rates, differences in the composition of borrowing, and higher than expected Federal borrowing. The budget assumed a 7.9 percent interest rate on 91-day Treasury bills for fiscal year 1986 whereas the actual rate averaged 6.4 percent for 91-day Treasury bills.

Outlays for general revenue sharing, which expired at the end of 1986, were \$0.5 billion above the original estimate. The payment for the last quarter, which the budget assumed would occur in 1987, was instead made in 1986. Outlays for farm price supports (Commodity Credit Corporation) were \$13.5 billion above the initial current law estimate. This was due to the Farm Bill of 1985, higher production, particularly for corn, and increased farmer participation.

Outlays for prior-year contracts and obligations were \$5.8 billion below the initial estimate. Outlays for nondefense programs were \$4.4 billion lower than the initial estimate, and outlays for defense programs were \$1.4 billion lower. These results were due to lower than anticipated spending and the Gramm-Rudman-Hollings Act.

#### ALLOCATION OF WINDFALL PROFIT TAX RECEIPTS

Section 102 of the Crude Oil Windfall Profit Tax Act of 1980 requires that each year the President propose the allocation of net receipts from the tax in his budget. The budget estimates that the net receipts from the Windfall Profit Tax will be zero in 1988.



## PART 6b

### THE BUDGET SYSTEM AND CONCEPTS

The budget system of the U.S. Government provides the framework within which decisions on resource allocation and program management are made in relation to the requirements of the Nation, availability of Federal resources, effective financial control, and accountability for use of the resources.

### THE BUDGET PROCESS

The budget process has three main phases: (1) executive formulation and transmittal; (2) congressional action; and (3) budget execution and control. Each of these is interrelated with the others.

*Executive Formulation and Transmittal.*—The budget sets forth the President's financial plan and indicates his priorities for the Federal Government. The President's transmittal of his budget to the Congress early in each calendar year is the culmination of many months of planning and analysis throughout the executive branch.

Formulation of a budget begins not later than the spring of the year before it is transmitted. The budget is developed in the context of a multi-year budget planning and tracking system that includes coverage of the four years following the budget year to integrate long-range planning into the executive budget process. The system requires that broad fiscal goals and agency spending and employment targets be established beyond the budget year.

During the period when a budget is formulated in the executive branch, there is a continual exchange of information, proposals, evaluations, and policy decisions among the President, the Office of Management and Budget (OMB), other Executive Office units, and the various Government agencies. The President also receives projections of the economic outlook that are prepared jointly by the Council of Economic Advisers, OMB, and the Treasury. After considering such advice, the President establishes general budget and fiscal policy guidelines. General policy directions and planning ceilings, both for the fiscal year that will begin about 15 months later and for the following four years, are then given to the agencies to guide the preparation of their budget requests.

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The primary phase of the budget process occurs throughout the fall and early winter, when the executive branch is involved in the formulation and preparation of the President's budget for transmittal to the Congress. Agency budget requests are submitted to OMB, where they are reviewed in detail, and decisions are made. These decisions may be revised as a result of Presidential review. Fiscal policy issues, which affect outlays and receipts, are reexamined. The effect of budget decisions on receipts, budget authority, and outlays in the years that follow are also considered and are explicitly taken into account, in the form of multi-year budget requests or planning estimates.<sup>1</sup> Thus, the budget formulation process involves the simultaneous consideration of the resource needs of individual programs, the total outlays and receipts that are appropriate in relation to current and prospective economic conditions, and the requirements of the Balanced Budget and Emergency Deficit Control Act of 1985 (Public Law 99-177).<sup>2</sup>

The Congressional Budget Act of 1974, as amended, requires that current services estimates be transmitted to the Congress with the budget to provide a basis for reviewing the President's budget recommendations.<sup>3</sup> The current services estimates of budget authority and outlays are those amounts required to continue Federal programs and activities without policy changes from the fiscal year in progress. Current services estimates of receipts generally assume that tax changes will occur as scheduled under current law.

**Congressional Action.**—The Congress can act to approve, modify, or disapprove the President's budget proposals. It can change funding levels, eliminate proposals, or add programs not requested by the President. It also can enact legislation affecting taxes and other sources of revenue.

Usually prior to making appropriations, the Congress enacts legislation that authorizes an agency to carry out a particular program and, in some cases, includes limits on the amount that can be appropriated for the program. Programs are authorized for a specified number of years or indefinitely; some programs require annual authorizing legislation, such as space exploration, foreign affairs, and some construction programs.

In making appropriations, the Congress does not vote on the level of outlays directly, but rather on *budget authority*, the authority to incur obligations that will result in immediate or future outlays. For most programs, budget authority becomes available each year only as voted by the Congress in appropriations acts. However, in a number of cases the Congress has voted permanent

<sup>1</sup> These terms are discussed further under "Data for 1989 through 1992," which appears later in this part.

<sup>2</sup> These requirements are discussed further under "Deficit reduction," which appears later in this part.

<sup>3</sup> See Special Analysis A, "Current Services Estimates," in *Special Analyses, Budget of the United States Government, Fiscal Year 1988*.



budget authority, under which funds become available annually without further Congressional action. Many trust fund appropriations are permanent, as are a number of Federal fund appropriations, such as the appropriation to pay interest on the public debt. In terms of dollars, more budget authority and outlays result from permanent authority than result from current action by the Congress.

Congressional review of the budget begins when the President transmits his budget estimates to the Congress. The budget is required by law to be transmitted on or before the first Monday after January 3 of each year.

Under the procedures established by the Congressional Budget Act of 1974, as amended by the Balanced Budget and Emergency Deficit Control Act of 1985, the Congress considers budget totals before completing action on individual appropriations. The Act requires each standing committee of the Congress to report on budget estimates to the House and Senate Budget Committees by February 25. The Congress adopts a concurrent budget resolution as a guide in its subsequent consideration of appropriations and receipt measures. It is not in order for either House to consider a resolution that includes a budget deficit that is greater than the maximum deficit specified in the Act for the budget year. In 1988, the maximum deficit is \$108 billion. The budget resolution, which is scheduled to be adopted by April 15, sets targets for total receipts and for budget authority and outlays, in total and by functional category. The resolution also sets targets for direct loan obligations and guaranteed loan commitments.

Congressional budget resolutions do not require Presidential approval. Frequently, there is informal consultation between the congressional leadership and the Administration, because legislation developed to attain congressional budget targets must be sent to the President for his approval. In recent years, the Congress has enacted omnibus reconciliation legislation that reduced budget authority and outlays or increased receipts in response to directives in the concurrent budget resolution.

Congressional consideration of requests for appropriations and changes in revenue laws occurs first in the House of Representatives. The Appropriations Committee, through its subcommittees, studies the requests for appropriations and examines in detail each agency's performance. The Ways and Means Committee reviews proposed revenue measures. Each committee then recommends the action to be taken by the House of Representatives. After passage of the budget resolution, a point of order can be raised to block consideration of bills that would cause a committee's targets, as set by the resolution, to be breached.



When the appropriations and tax bills are approved by the House, they are forwarded to the Senate, where a similar review process is followed. In case of disagreement between the two Houses of the Congress, a conference committee (consisting of Members of both bodies) meets to resolve the differences. The report of the conference committee is returned to both Houses for approval. When the measure is agreed to, first in the House and then in the Senate, it is ready to be transmitted to the President as an enrolled bill, for his approval or veto.

When action on appropriations is not completed by the beginning of the fiscal year, the Congress enacts a *continuing resolution* to provide authority for the affected agencies to continue financing operations up to a specified date or until their regular appropriations are enacted. The Congress did not complete action on any of the regular appropriations for 1987. A continuing resolution, in effect, an omnibus appropriations bill, was enacted for the whole year (Public Laws 99-500 and 99-591).

**Deficit Reduction.**—The Balanced Budget and Emergency Deficit Control Act of 1985 (commonly known as the Gramm-Rudman-Hollings Act) calls for a balanced Federal budget by 1991 by setting declining deficit targets for each fiscal year beginning in 1986 and specifies a procedure designed to achieve these targets. According to the Act, the President's budget must propose receipts and outlays consistent with the deficit target for the budget year, and Congressional action on the budget is supposed to ensure that the deficit target for that year will be met. The Act specifies a process to sequester budgetary resources, if necessary, to reduce outlays by the amount required to meet the specified target for the year ahead.

On August 20 of each year, the Directors of the Office of Management and Budget and the Congressional Budget Office submit a joint report to the Congress estimating the deficit for the upcoming fiscal year. On October 5 they submit a revised report, which reflects the effects on the deficit of any legislation enacted since August 20. If the average of their estimates shows that the deficit exceeds the specified target by more than \$10 billion (zero in 1991), they must calculate the across-the-board reductions required to eliminate the deficit excess. The Act specifies rules for determining uniform percentage reductions for most programs, special rules for certain programs, and a requirement to eliminate cost-of-living increases in some programs. Certain programs are exempt from reduction.

The Directors' reports are submitted to the Temporary Joint Committee on Deficit Reduction, which consists of the entire membership of the Budget Committees of the House and Senate. Within 5 days after receiving a report, the Committee is required to report



to the House and to the Senate a joint resolution setting forth the contents of the report. This joint resolution, upon enactment by the Congress and approval by the President, becomes the basis for a sequester order issued by the President. The President's order may not change any of the particulars in the joint resolution.

Only one sequester order has been issued since the Act was passed, and it was the result of procedures that were different from those described above. For 1986, the President issued a sequester order that was based on a report submitted to him by the Comptroller General of the United States, as the Act then required. Subsequently, the Supreme Court of the United States ruled that the Comptroller General's role was unconstitutional, thereby invalidating the President's order. The Congress subsequently passed and the President approved a law that ratified the reductions included in the sequester order. The Act specified that the procedures described above would be used in the event that any of the original procedures were invalidated. In August 1986, the Directors submitted their initial joint report for 1987 to the Committee, which reported a joint resolution that, if enacted, would have resulted in a sequester order. However, the Directors second report indicated that a number of legislative actions were underway that, if enacted as expected, would avoid the need for a sequestration. The Congress did not enact the joint resolution, so no sequestration was ordered.

***Budget Execution and Control.***—Once approved, the President's budget, as modified by the Congress and reduced by sequestration, if necessary, becomes the basis for the financial plan for the operations of each agency during the fiscal year. Under the law, most budget authority and other budgetary resources are made available to the agencies of the executive branch through an apportionment system. The Director of OMB apportions (distributes) appropriations and other budgetary resources to each agency by time periods or by activities, to ensure the effective use of available resources and to preclude the need for additional appropriations.

Changes in laws or other factors may indicate the need for additional appropriations during the year, and supplemental requests may have to be sent to the Congress. On the other hand, amounts appropriated may be withheld from obligation under certain circumstances to provide for contingencies or to effect savings made possible by changes in requirements or greater efficiency of operations. The Impoundment Control Act of 1974 provides that the executive branch, in regulating the rate of spending, must report to the Congress any deferrals or proposed rescissions<sup>4</sup> of

<sup>4</sup> These terms are discussed further under "Budgetary resources" which appears later in this part. Litigation challenging the constitutionality of section 1013 of the Act, which concerns deferrals, is currently pending in the Federal courts.



budget authority; that is, any effort through administrative action to postpone or eliminate spending provided by law. Deferrals, which are temporary withholdings of budget authority, may be overturned by an act of the Congress at any time. Rescissions, which permanently cancel budget authority, must be passed by the Congress within 45 days of continuing session. Otherwise, the withheld funds must be made available for spending.

### COVERAGE OF THE BUDGET TOTALS

**Agencies and Program.**—The budget totals cover all agencies and programs (including Government corporations) no matter how funded, except that the receipts and disbursements of social security (the Federal Old-Age and Survivors Insurance and the Federal Disability Insurance trust funds) are excluded from the budget totals by the Balanced Budget and Emergency Deficit Control Act of 1985 (Public Law 99-177). The outlays and receipts of these trust funds are nevertheless included in calculating the deficit targets specified in the Act. The transactions of these trust funds are shown in a separate chapter of the *Appendix*, entitled "Department of Health and Human Services, Social Security." Where on-budget totals are shown in the budget and in other appropriate places, amounts for these trust funds are presented as an off-budget component of total Federal activity.

The presentation for the Board of Governors of the Federal Reserve System is included in Part IV of the *Appendix*. Those amounts are presented for information only because of the independent status of the System.

The budget totals do not include transactions of privately owned, Government-sponsored enterprises, such as the Federal land banks and Federal home loan banks. However, these enterprises are discussed in several parts of the budget.<sup>5</sup>

**Functional Classification.**<sup>6</sup>—The functional classification arrays budgetary data according to the major purpose served by the unit being classified. In accordance with the Congressional Budget Act of 1974, as amended, the Congressional budget resolution establishes budget targets by these functional categories.

The following criteria are used in establishing and in assigning activities to functional categories:

- A function must have a common end or ultimate purpose addressed to an important national need. (The emphasis is on what the Federal Government seeks to accomplish rather

<sup>5</sup> See Part 3b, "Federal Credit," in this volume; Special Analysis E, "Borrowing and Debt;" Special Analysis F, "Federal Credit Programs;" Part IV, "Government Sponsored Enterprises," *Appendix, Budget of the United States Government, Fiscal Year 1988*.

<sup>6</sup> Part 5, "Federal Programs by Function: Meeting National Needs," of this volume discusses the budget by function.



than the means of accomplishment, what is purchased, or the clientele or geographic area served.)

- A function must be of continuing national importance and the amounts attributable to it must be significant.
- Each basic unit (generally the appropriation or fund account) usually is classified into the single best or predominant purpose and assigned to only one subfunction. However, when an account is large and serves more than one major purpose, it may be subdivided into two or more subfunctions.
- Activities and programs are normally classified according to their primary purpose (or function) regardless of which agencies conduct the activities.

**National Needs Presentation.**—Section 601 of the Congressional Budget Act of 1974 requires that the budget for each fiscal year shall contain a presentation of budget authority, proposed budget authority, outlays, proposed outlays, and descriptive information in terms of—

- (1) a detailed structure of national needs, which shall be used to reference all agency missions and programs;
- (2) agency missions; and
- (3) basic programs.

To meet that requirement of law, each major function is described in Part 5 of this volume, "Federal Programs by Function: Meeting National Needs," in the context of the national needs being served, and subfunctions are described in the context of the major missions devoted to serving national needs. Part 5 also meets the budget presentation requirements of the Full Employment and Balanced Growth Act of 1978.

**Types of Funds.**—Agency activities are financed through Federal funds and trust funds.

*Federal funds* are of several types. The *general fund* is credited with receipts not earmarked by law for a specific purpose and with the proceeds of general borrowing. *Special funds* contain Federal receipts earmarked for specific purposes, other than for carrying out a cycle of operations. *Public enterprise* (revolving) *funds* finance a cycle of business-type operations in which outlays generate collections, primarily from the public. *Intragovernmental funds*, including revolving and management funds, finance operations primarily within and between Government agencies and are credited with collections earmarked by law to carry out a cycle of business-type operations primarily within and between Government agencies.

*Trust funds* are established to account for the receipt and expenditure of monies by the Government for carrying out specific purposes and programs in accordance with the terms of a statute or trust agreement. These monies are not available for other pur-



poses of the Government. *Trust revolving funds* are credited with trust-type collections earmarked by law to carry out a cycle of business-type operations.

There is little practical difference between a trust fund and a special fund or a trust revolving fund and a public enterprise revolving fund.

***Current Expenses and Capital Investment.***—The budget includes spending for both current operating expenses and capital investment, such as the purchase of lands, structures, and equipment. It also includes capital investment in the form of lending and the purchase of other financial assets.<sup>7</sup>

## BUDGETARY RESOURCES AND RELATED TRANSACTIONS

***Budgetary Resources.***—Government agencies are permitted to enter into obligations requiring either immediate or future payment of money only when they have been granted authority to do so by law. This authority, which constitutes the budgetary resources available to an agency, is usually provided in the form of budget authority. In addition, collections specifically authorized to be credited to appropriation and fund accounts (e.g., repayments of loan principal), while not scored as budget authority, are also available for obligation. The use of budgetary resources may be restrained by the imposition of legally binding limitations on obligations, including obligations for direct loans.<sup>8</sup>

Budget authority and other budgetary resources permit *obligations* to be incurred. The amounts of budget authority requested are determined by the nature of the programs or projects being financed and the amounts of other resources available for the purpose.

For activities such as operation and maintenance, entitlement programs, and continuing research programs, for which the cost depends upon the program level during the fiscal year, the amount of budget authority requested covers the obligations expected to be incurred during the year.

For most projects that are separate and distinct units, particularly direct Federal major procurement and construction projects, "full funding" generally is requested. That is, budget authority is requested in a sufficient amount at the time the project is initiated to complete it, regardless of the expected time of completion.

Budget authority usually takes the form of *appropriations*, which permit obligations to be incurred and payments to be made. Some budget authority is in the form of *contract authority*, which permits

<sup>7</sup> The division between operating and investment outlays is displayed in Special Analysis D, "Federal Investment and Operating Outlays."

<sup>8</sup> See "Limitations on the Availability of Funds," Part 6a of this volume.



obligations in advance of appropriations but requires a subsequent appropriation or the collection of revenues to liquidate (pay) these obligations. Another form of budget authority is *authority to borrow*, which permits obligations to be incurred but requires that funds be borrowed, generally from the Treasury, to liquidate these obligations.

With certain exceptions, it is not in order for either House of the Congress to consider any bill that provides new borrowing or contract authority unless that bill also provides that such new spending authority will be effective only to the extent or in such amounts as provided in appropriations acts.

Most appropriations for current operations are made available for obligation only during a specified fiscal year (annual appropriations). Some are for a specified longer period (multiple-year appropriations). Others, including most of those for construction, some for research, and many for trust funds, are made available for obligation until the amount appropriated has been expended or until the objectives have been attained (no-year appropriations).

Budget authority can be made available by the Congress for obligation and disbursement during a fiscal year from a succeeding years appropriation (advance funding). For many education programs, Congress provides *forward funding*—budget authority made available for obligation in one fiscal year for the financing of ongoing grant programs during the succeeding fiscal year. When advantageous to the Federal Government, an appropriation is provided by the Congress that will become available one year or more beyond the fiscal year for which the appropriations act is passed (*advance appropriations*).<sup>9</sup> Included as advance appropriations are appropriations related to multi-year budget requests.<sup>10</sup>

When budget authority is made available by the Congress for a specific period of time, any part that is not obligated during that period expires (lapses) and cannot be used later. Congressional actions that extend the availability of unobligated amounts that have expired or would otherwise expire are known as *reappropriations*. The amounts involved are counted as new budget authority in the fiscal year of the legislation in which the reappropriation action is included, regardless of when the amounts were originally appropriated or when they would otherwise lapse.

A *rescission* is a legislative action that cancels new budget authority or the availability of unobligated balances, prior to the time the authority would otherwise have expired. Rescissions of new budget authority becoming available are decreases to such authority for that year. Rescissions of unobligated balances reduce the

<sup>9</sup> A list of advance appropriations included in this budget appears in Part III, "Other Materials," Appendix.

<sup>10</sup> Multi-year budget requests are discussed under "Data for 1989 through 1992," which appears later in this part.



amounts of those balances available for obligation. Rescission proposals are identified in separate schedules in Part II of the *Appendix*. A *deferral* is an executive branch action or inaction—including the establishment of reserves under the Antideficiency Act—that delays the obligation and expenditure of funds within the year that the action is taken. Deferrals are not separately identified in the budget.

Most authority to obligate funds is enacted by the Congress during or immediately preceding the fiscal year in which it becomes available (current authority). Most current authority is granted year by year. Some budget authority in Federal funds and most budget authority in trust funds becomes available as the result of previously enacted legislation and does not require current action by the Congress (*permanent authority*). Such authority is presented as “current” in the year in which the legislation is enacted and “permanent” in succeeding years.

The amount of budget authority is usually stated specifically or in an amount stated as “not to exceed” a specific aggregate sum in the legislation that makes it available (definite authority). In some cases, the legislation permits the amount to be determined by subsequent circumstances (indefinite authority). Examples of the latter type are authority to borrow that is limited only to the amount of debt that may be outstanding at any time, the appropriation for interest on the public debt, and the trust fund appropriation equal to receipts under the Federal Insurance Contributions Act (social security). Indefinite budget authority is presented in the amount of receipts collected or estimated to be collected each year in the case of many special and trust funds, and in the amount needed to finance obligations incurred or estimated to be incurred in the case of certain appropriations, contract authority, and authority to borrow.

**Obligations Incurred.**—Following the enactment of budget authority and the completion of required apportionment action, obligations are incurred by Government agencies. Such obligations cover: the current liabilities for salaries, wages, and interest; agreements to make loans; contracts for the purchase of supplies and equipment, construction, and the acquisition of office space, buildings, and land; and other arrangements requiring the payment of money.

**Outlays.**—Obligations generally are liquidated by the issuance of checks or the disbursement of cash; such payments are called *outlays*. In lieu of issuing checks, obligations also may be liquidated (and outlays recorded) by the accrual of interest on public issues of Treasury debt securities (including an increase in the redemption value of bonds outstanding); or by the issuance of bonds, debentures,



tures, notes, or monetary credits.<sup>11</sup> Refunds of collections<sup>12</sup> generally are treated as reductions of collections, rather than as outlays. However, payments for earned income tax credits in excess of tax liabilities are treated as outlays rather than as a reduction to receipts. Outlays during a fiscal year may be for payment of obligations incurred in prior years or in the same year. Outlays, therefore, flow in part from unexpended balances of prior year budget authority and in part from budget authority provided for the year in which the money is spent.<sup>13</sup> Total outlays include both budget and off-budget outlays and are stated net of offsetting collections.

**Balances of Authority.**—Not all budget authority enacted for a fiscal year is obligated and paid out in the same year. In multiple-year or no-year accounts, budget authority that is still available for obligation at the end of a year (*unobligated balances*) may be carried forward for obligation in the following year. The *obligated* balance is that portion of the budget authority that has been obligated but not yet paid. For example, in the case of salaries and wages, 1 to 3 weeks elapse between the time of obligation and time of payment. In the case of major procurement and construction, payment may occur over several years. Obligated balances of budget authority are carried forward until the obligations are subsequently paid.<sup>14</sup> These balances may also include collections credited directly to appropriations or fund accounts.

Therefore, a change in the amount of obligations incurred from one year to the next does not necessarily result in an equal change in either the budget authority or the outlays of that same year. Conversely, a change in budget authority in any one year may anticipate changes in the level of obligations and outlays for several years.

**Allocations Between Agencies.**—In some cases, an agency may share in the administration of a program for which appropriations are made to another agency or to the President. This is made possible by the establishment of allocations from the "parent" account, that is, the account to which the appropriation was made. Obligations incurred under such allocations are included with the parent account in the Budget (without separate identification) and in the *Appendix* (which the total obligations of each participating agency are identified separately under each parent account).

<sup>11</sup> See Special Analysis E, "Borrowing and Debt," for further discussion of the use of such instruments.

<sup>12</sup> This term is discussed under "Collections," which appears later in this part.

<sup>13</sup> See "Relationship of Budget Authority to Outlays," Part 6a of this volume.

<sup>14</sup> Additional information is provided in a separate report, "Balances of Budget Authority," which is available from the National Technical Information Service, Department of Commerce, shortly after the budget is transmitted.



FEDERAL CREDIT ACTIVITIES <sup>15</sup>

## COLLECTIONS

In addition to the resource measures previously described, Government programs may be financed through federally supported credit in the form of direct or guaranteed loans. These are included in the budget as obligations for direct loans and commitments for guaranteed loans. *Obligations for direct loans* result from agreements requiring the Government to make a loan immediately or at some future time. *Commitments for guaranteed loans* result from agreements entered into by the Government to guarantee the repayment of principal and/or interest. Since guaranteed loans, unlike direct loans, do not require obligational authority and, by themselves, do not require Federal disbursements, the amounts are not included in the President's budget totals. They create Government liabilities of a contingent nature that result in obligations and outlays *only* in the event of borrower default. The Administration is proposing a fundamental change in the way credit programs are financed. This proposal is described in Part 3b of this volume.

***In General.***—Amounts collected by the Government are classified in two major categories:

- *Governmental receipts*, which are compared with outlays in calculating the surplus or deficit.<sup>16</sup>
- *Offsetting collections*, which are deducted from gross disbursements in calculating outlays.

***Governmental Receipts.***—These are collections from the public that result from the exercise of the Government's sovereign or governmental powers. These collections consist primarily of tax receipts (including social insurance taxes), but also include receipts from customs duties, court fines, certain licenses, and deposits of earnings by the Federal Reserve System. Gifts and contributions (as distinguished from payments for services or cost-sharing deposits by State and local governments) are also counted as governmental receipts. Receipts are divided between on-budget receipts and off-budget receipts.

***Offsetting Collections.***—These are amounts received from other Government accounts or the public that are of a business-type or market-oriented nature. They are classified into two major categories: *offsetting collections credited to appropriations or fund accounts* and *offsetting receipts* (that is, collections deposited in receipt accounts). The offset is applied differently for each type.

<sup>15</sup> Part 3b "Federal Credit," of this volume and Special Analysis F, "Federal Credit Programs," discuss this subject in detail.

<sup>16</sup> Part 4, "Federal Receipts by Source," of this volume discusses governmental receipts in more detail.



*Offsetting Collections Credited to Appropriation or Fund Accounts.*—Amounts treated in this manner are specifically authorized by law and are available, generally, for the purpose of the account without further action by the Congress. However, it is not unusual for the Congress to enact limitations on the obligations that can be financed by these collections. These collections are netted against gross obligations in the account when calculating outlays.

*Offsetting Receipts.*—These amounts are credited to general fund, special fund, or trust fund receipt accounts, and generally they are deducted from budget authority and outlays by subfunction and by agency. Offsetting receipts are subdivided into two categories, as follows:

- *Proprietary receipts from the public.*—These are collections from the public, deposited in receipt accounts of the general fund, special funds, or trust funds, that arise out of the business-type or market-oriented activities of the Government. However, collections from rents and royalties from Outer Continental Shelf (OCS) lands are deducted from total budget authority and outlays for the Government as a whole rather than from any single agency or subfunction.

When there is a legal dispute over the disposition of rents and royalties from OCS lands, the disputed amounts are placed in interest bearing deposit fund accounts and are not included in the budget totals. Upon settlement of such disputes, the amounts that are determined to belong to the Government are added to OCS offsetting receipts and the interest on such amounts is also deducted from the outlay totals. The large-scale receipts from the proposed sale of major assets (including Amtrak, the Naval petroleum reserve, the power administrations, and the assignment of frequencies by the Federal Communications Commission) also are shown as undistributed deductions from total budget authority and outlays.

- *Intragovernmental transactions.*—These are payments into receipt accounts from governmental appropriation or fund accounts. In most cases, intragovernmental transactions are deducted from both the outlays and the budget authority of the subfunction and the agency receiving the payment. However, intragovernmental transactions that involve agencies' payments as employers into employee retirement trust funds and interest received by trust funds appear as special deductions in computing total budget authority and outlays for the Government rather than offsets at the agency level. There are several categories of intragovernmental transactions. *Intra-budgetary transactions* include all payments from on-budget



expenditure accounts to other on-budget receipt accounts. These are subdivided into three categories: (1) *interfund transactions*, where the payment is from one fund group (either Federal funds or trust funds) to a receipt account in the other fund group; (2) Federal *intrafund transactions*, where the payment and receipt both occur within the Federal fund group; and (3) *trust intrafund transactions*, where the payment and receipt both occur within the trust fund group. In addition there are intragovernmental payments from on-budget accounts to off-budget receipt accounts, and from off-budget accounts to on-budget receipt accounts.

### OTHER TRANSACTIONS

***Borrowing and Repayment.***—Borrowing and debt repayment are not treated as receipts or outlays. If they were, the budget would be balanced simply by classifying borrowing as income or revenue. This rule applies both to borrowing in the form of public debt securities and to specialized borrowing in the form of agency securities, including the sale of certificates representing participation in a pool of loans. In addition to participation certificates, individual Federal loan assets are sold with recourse (i.e., the Federal Government guarantees repayment of principal and interest in the event of default). In the past, the proceeds from such sales were treated as offsetting collections, even though such transactions, like the issuance of participation certificates, constituted borrowing. Beginning with this budget, the proceeds of such sales are treated as borrowing.<sup>17</sup>

Many Federal loans have been financed by the Federal Financing Bank (FFB), and until passage of the Balanced Budget and Emergency Deficit Control Act of 1985 (Public Law 99-177), the receipts and disbursements of the FFB were excluded by law from the budget totals. The Act moved the FFB on-budget and required the transactions of the FFB on behalf of an agency to be treated as a means of financing the agency (i.e., agency borrowing from the FFB). The 1987 budget reflected an interim change in the treatment of FFB transactions to comply with the new law, as fully as was feasible given the short period between enactment of the law and submission of the 1987 budget. This budget implements the requirement more fully by integrating the transactions (e.g., obligations, budget authority, and outlays for loans) that are financed by the FFB into the agency program accounts.

***Exercise of Monetary Power.***—Seigniorage is the profit from coining money. It is the difference between the value of coins as money

<sup>17</sup> See Special Analysis E, "Borrowing and Debt," for further discussion of this subject.



and their cost of production. Seigniorage on coins arises from the exercise of the Government's monetary powers and differs from receipts coming from the public, since there is no corresponding payment by another party. Therefore, seigniorage is excluded from receipts and treated as a means of financing a deficit (or as a supplementary amount to be applied to reduce debt in a year with a surplus). The increment (profit) resulting from the sale of gold as a monetary asset also is treated as a means of financing, since the value of gold is determined by its value as a monetary asset rather than as a commodity.

***Balances in Deposit Fund Accounts.***—Certain accounts outside the budget, known as deposit funds, are established to record amounts held in suspense temporarily (for example, proceeds from mineral leases on the Outer Continental Shelf to which title is in dispute) or held by the Government as agent for others (for example, State and local income taxes withheld from Federal employees' salaries, and payroll deductions for the purchase of savings bonds by civilian employees of the Government). Changes in deposit fund uninvested balances affect Treasury's cash balances, even though the transactions are not a part of the budget. To the extent that deposit fund balances are not invested, changes in the balances are reflected as changes in the means of financing the deficit.

***Exchange of Cash.***—The Government's deposits with the International Monetary Fund are considered to be monetary assets. Therefore, the movement of money between the IMF and the Department of the Treasury is not considered in itself a receipt or an outlay, borrowing, or lending. In a similar manner, the holdings of foreign currency by the Exchange Stabilization Fund are considered to be cash assets. Changes in these holdings are outlays only to the extent there is a realized loss of dollars on the exchange and are offsetting collections only to the extent there is a realized dollar profit.

## BASIS FOR BUDGET FIGURES

***In general.***—Outlays usually are stated in terms of checks issued, including cash paid in lieu of checks, net of offsetting collections received. When a cash-equivalent financial instrument is developed to use as a substitute for cash or checks, the monetary value of the instrument is normally counted as outlays in the budget in order to record the transaction in the same manner regardless of the means of effecting it. The accrual basis is used for interest on the public issues of Treasury debt securities; however, interest on special issues of the debt securities held by trust funds and other Government accounts is stated on a cash basis. When a Government account invests in Federal debt securities, the purchase price is



usually close to the par (face) value of the security. The budget records the investment at par value, and adjusts the interest paid by Treasury and collected by the account by the difference between purchase price and par. However, in the case of two trust funds in the Department of Defense, the Military Retirement Trust Fund and Education Benefits Trust Fund,<sup>18</sup> the differences between purchase price and par have routinely become relatively large. Hence, for these funds, the budget now records the original investment at purchase price rather than par, and amortizes the difference between purchase price and par over the life of the security.

**Data for 1986.**—The past year (1986) column of the budget generally presents the actual transactions and balances as recorded in agency accounts and as summarized in the central financial reports prepared by the Department of Treasury. However, the budget treatment in certain cases is not in agreement with Treasury accounting. In two cases, the treatment of FFB transactions on behalf of Federal agencies and the treatment of the investments of two Department of Defense trust funds (both described above) the accounting differences are significant. In such cases, OMB has adopted a treatment for purposes of the budget that it believes more accurately reflects the use of budgetary resources than does the accounting system. In addition, occasionally the budget reports corrections to data reported erroneously to Treasury but not discovered in time to be reflected in Treasury's published data.

**Data for 1987.**—The current year (1987) column of the budget includes estimates of transactions and balances based on the amounts of budgetary resources that were available when the budget was submitted, including amounts provided as appropriations for 1987, and that are expected to become available during the year. All of the usual 13 appropriations bills were enacted by inclusion or by reference in the continuing resolution for 1987 (Public Laws 99-500 and 99-591).

Where the word "enacted" is used with reference to 1987, the amount generally represents budget authority already voted by the Congress. In the case of indefinite appropriations, the enacted sums included the amounts likely to be required. Where the word "estimate" is used, the amounts include both enacted budget authority and requested supplementals and rescissions.

**Data for 1988.**—The budget year (1988) column of the budget includes estimates of transactions and balances based on the amounts of budgetary resources that are expected to be available, including amounts proposed to be appropriated. The budget gener-

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<sup>18</sup> See "Department of Defense—Civil" in Part I, "Detailed Budget Estimates," in the *Appendix*.



ally includes the appropriations language for the amounts proposed to be appropriated.<sup>19</sup> Where the estimates represent amounts that will be requested under proposed legislation the appropriation language usually is not included; it is transmitted later, instead. In a few cases, language for appropriations to be requested under existing legislation are transmitted later, because the exact requirements are not known at the time the budget is submitted. In certain tables of the budget, the items for later transmittal and the related outlays are identified separately. Estimates of the total requirements for 1988 include both the amounts requested with the submission of the budget and the amounts planned for later transmittal.

**Data for 1989 through 1992.**—To place emphasis on longer term objectives and plans consistent with the multi-year budget planning system, the budget presents estimates through 1992. These data often reflect specific Presidential policy determinations and are shown in a number of budget tables. This budget also includes *multi-year budget requests*, which differ from multi-year planning estimates in that advance appropriations for 1989 (and beyond in a few cases) are proposed to be enacted in the 1988 appropriations process. The 1986 Defense Authorization Act (Public Law 99-145) requires two-year requests (1988 and 1989) for accounts of the Department of Defense and related agencies in the national defense function, and the budget proposes multi-year requests for several non-defense accounts. Advance appropriations language for multi-year budget requests is included in the *Appendix* presentation for the affected budget accounts. The schedules in the *Appendix* include a 1989 column only for Defense and related agency accounts because of technical limitations. The "Budget by Agency and Account" in the *Budget*<sup>20</sup> includes a 1989 column for all accounts in the budget; those that represent multi-year budget requests, rather than planning estimates, are footnoted.

**Allowances.**—Lump-sum allowances are included in the tables to cover certain forms of budgetary transactions that are expected to result in increases or decreases in budget authority or outlays but are not reflected in the program details, such as civilian pay increases.<sup>21</sup>

Budget authority and outlays included in the allowance section are never appropriated as undistributed allowances, but rather indicate the estimated budget authority and outlays that may be requested for specific programs.

<sup>19</sup> See Part I, "Detailed Budget Estimates," of the *Appendix*.

<sup>20</sup> See Part 4, "Budget by Agency and Account," of the *Budget of the United States Government, 1988*.

<sup>21</sup> See Part 5, "Federal Programs by Function: Meeting National Needs" of this volume for a further discussion of allowances.



**PART 6c**  
**SUMMARY TABLES**  
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\* These tables not reprinted in this extract. See "The Budget of the United States Government" (Supplement, small book).



## EXPLANATION OF THE SUMMARY TABLES

*Overview.*—The tables in this part of the budget are organized as follows:

- Tables 1 through 12 provide summary data on the 1988 Budget in terms of budget authority, outlays, receipts, and surpluses or deficits for the period 1986–92. Summary information is also included on Federal Government financing and debt, current services estimates, the credit budget, and Federal civilian employment.
- Tables 13 and 14 provide greater detail on governmental and offsetting receipts.
- Table 15 presents 5-year projections of the estimated costs of proposed legislation pursuant to 31 U.S.C. 1105(a)(12).
- Table 16 provides data on controllability of outlays.
- Tables 17 through 23 are historical in nature, giving data, for earlier years on receipts by source; outlays by function; total receipts, outlays, and surpluses or deficits; and the on- and off-budget components of these amounts. Comparisons with the gross national product and receipts and outlays in constant (fiscal year 1982) prices are also presented.

*Periods covered.*—Due to the change in fiscal year required by the Congressional Budget Act, the following periods are covered by the various columns or stub entries:

- July 1 through June 30, for the 1976 and prior fiscal periods.
- July 1 through September 30, 1976, for the transition quarter (TQ).
- October 1 through September 30, for the 1977 and subsequent fiscal periods.

*Presentation of data.*—As in the 1987 Budget, totals shown in the 1988 Budget include off-budget amounts, but the on- and off-budget components are identified separately. In tables by agency, entries for “Health and Human Services, except social security” present on-budget data, and entries for “Health and Human Services, social security” present the off-budget amounts distributed by agency.

In addition, the 1988 Budget reflects the effects of the sequestration of 1986 budgetary resources required by Public Law 99-177 without separate identification. Accordingly, data shown in the following tables incorporate the effects of this sequestration.

The outlay totals for 1986 exceed those previously reported by the Treasury Department by \$27 million primarily because of adjustments in outlays of the Small Business Administration (+\$67



million) and the Federal Financing Bank (−\$2 million) and interest on the public debt (−\$39 million).

*Allowances.*—Allowances for pay raises in 1988–92 are shown for military personnel and for civilian employees of the Department of Defense (DoD—Military). In addition, allowances for other legislation are shown for 1988–92. Included in the allowances for other legislation for DoD—Military are amounts for military benefits, which are partially offset by proposed savings. These allowances are included in the totals for the DoD—Military and in subfunction 051.

Allowances for pay raises for non-defense civilian employees and for military pay raises for the Coast Guard in 1988–92 are shown at the end of the tables. Other Government-wide allowances for 1988–92 presented at the end of the tables reflect proposals for savings from reform of Davis-Bacon and Service Contract Acts, for the Administration's credit reform initiative, and for a change in the Government contribution for employee health benefits. An allowance for 1989–92 for special productivity savings from personnel policies is also included.

*Undistributed offsetting receipts.*—Offsetting receipts are generally deducted from budget authority and outlays at the subfunction and agency levels. However, in some cases these amounts are undistributed, i.e., deducted from totals for the Government as a whole rather than from a single agency or subfunction in order to avoid distortion of agency or subfunction totals. These payments are for the employer share, employee retirement (both on-budget and off-budget amounts), rents and royalties on the Outer Continental Shelf (OCS), and the proposed sale of major assets (Conrail, Amtrak, naval petroleum reserves, power marketing administrations, and the auction of frequencies by the Federal Communications Commission) in 1987–92.

In addition, some offsetting receipts are undistributed at the agency level but not at the subfunction level. These are interest received by on-budget trust funds and interest received by off-budget trust funds (subfunctions 902 and 903, respectively) and interest received from the OCS escrow account (in subfunction 908). Accordingly, the offsetting receipt totals identified as undistributed in tables by agency are larger than those shown in tables by function by the amount of the interest received by trust funds and the interest received from OCS escrow account.

*Description of the tables.*—Each table in this part is described below.

- *Table 1, Summary*, provides a general overview of budget authority, receipts, outlays, and surpluses or deficits for 1986–92. Summary information on the Federal credit budget and on the Federal debt are also provided.



- *Table 2, Summary of current services and the President's proposals*, provides a bridge between current services estimates of outlays and estimated outlays under the President's proposals for 1987-90. Changes in outlays are shown by function. Current services estimates of receipts and estimated receipts under the President's proposals are also provided. Changes are shown by source. For further information on current services, see Special Analysis A, "Current Services Estimates", in the Special Analyses volume.
- *Table 3, Receipts by source and outlays by agency, 1986-92*, displays data on the composition of receipts by source, the distribution of outlays by the Legislative and Judicial Branches and by major agency in the Executive Branch, and the surpluses or deficits for these years.
- *Table 4, Outlays by function, 1986-92*, distributes outlays by function. Supporting data by subfunction from 1978-88 is found in table 18. Part 5 of this volume provides detail at the program level for 1986-90.
- *Table 5, Credit budget: new direct loan obligations and guaranteed loan commitments by agency*, displays new obligations for direct loans and new commitments for guaranteed loans by agency for 1986-88. Additional information can be found in Parts 3b and 5 of this volume and Special Analysis F, "Federal Credit Programs", of the Special Analyses volume.
- *Table 6, Federal Government financing and debt*, shows the means of financing the Federal deficit, the gross debt held by Government accounts and the public, and the amount of debt subject to statutory limitation. Further data related to the totals are contained in Special Analysis E, "Borrowing and Debt", and Part 6a of this volume.
- *Table 7, Full-time equivalent of Federal civilian employment*, provides full-time equivalent employment estimates for the major departments and agencies of the Executive Branch for 1986-89. For additional information, see Special Analysis I, "Civilian Employment in the Executive Branch", in the Special Analyses volume.
- *Table 8, Budget authority by function, 1986-92*, distributes budget authority by function. For detail at the program level, see Part 5 of this volume. For the subfunctional classification of budget authority in each account, see Part 4 of the *Budget of the United States Government, 1988*.
- *Table 9, Budget authority by agency, 1986-92*, presents the distribution of budget authority by Legislative and Judicial Branches and by major agency in the Executive Branch. For account level detail, see Part 4 of the *Budget of the United States Government, 1988*.



- *Table 10, Budget authority and outlays available with and without current action by Congress*, presents budget authority, including supplemental requests, for 1986-88 that requires congressional action during or immediately preceding the fiscal year in which it becomes available and ties budget authority and outlays available through current action to totals. In most cases, off-budget (social security trust fund) amounts are available as the result of previously enacted legislation (substantive legislation or prior appropriations acts) and do not require further action by Congress. Therefore, they are included in the portion available without current action by Congress. The remaining off-budget amounts are included in the portion available through current action by Congress.
- *Table 11, Relation of budget authority to outlays*, provides a bridge from budget authority to net obligations incurred to outlays for 1986-88. Data on off-budget amounts are included without separate identification. References to other tables in this part that provide detail on data shown in this table are included. A chart on the relationship of budget authority to outlays is shown in Part 6a of this volume.
- *Table 12, Balances of budget authority*, presents data on obligated and unobligated balances of budget authority for 1986-88. Detailed information is available in a separate OMB report, "Balances of Budget Authority", which can be purchased from the National Technical Information Service shortly after the budget is transmitted.
- *Table 13, Receipts by source*, provides detailed data by source for 1986-88 on receipts that are classified as governmental receipts. The total of these receipts is compared with total outlays to calculate the Federal deficit. Information on governmental receipts is also included in table 17 and in Part 4 of this volume.
- *Table 14, Offsetting receipts by type*, presents, by type, offsetting receipts for 1986-88 that are deducted from gross disbursements to calculate outlays. Offsetting receipts data are also included in Part 4 of the *Budget of the United States Government, 1988*.
- *Table 15, Legislative proposals for major new and expanded programs in the 1988 Budget, projection of costs*, provides a description of major legislative proposals and a projection of costs for 1987-92.
- *Table 16, Controllability of budget outlays, 1986-88*, displays data classified as relatively uncontrollable and relatively controllable outlays.



- *Table 17, Receipts by source, 1978-88*, provides historical data on governmental receipts by source.
- *Table 18, Outlays by function and subfunction, 1978-88*, includes historical data in outlays by function and subfunction.
- *Table 19, Federal finances and the gross national product, 1969-90*, displays receipts, outlays, surpluses or deficits, and Federal debt and shows these amounts as percentages of the gross national product.
- *Table 20, Composition of receipts and outlays in current prices, 1971-90*, includes historical data in the composition of receipts and outlays in current dollars.
- *Table 21, Composition of receipts and outlays in constant (fiscal year 1982) prices, 1971-90*, includes historical data on the composition of receipts and outlays in constant dollars for the same categories shown in table 20.
- *Table 22, Total receipts and outlays, 1789-1992*, includes historical data and out-year estimates of total receipts, outlays, and surpluses or deficits. Beginning in 1937, data include amounts for social security trust funds that are off-budget under current law.
- *Table 23, On-budget and off-budget receipts and outlays, 1937-92*, provides historical data and out-year estimates of on- and off-budget components of total receipts, outlays, and surpluses or deficits shown in table 22.



## SUMMARY TABLES

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Table 1. SUMMARY

(In billions of dollars)

Description	1986 actual	Estimate					
		1987	1988	1989	1990	1991	1992
TOTALS							
Budget authority.....	1,072.8	1,093.9	1,142.2	1,211.6	1,271.9	1,331.8	1,377.9
On-budget.....	(883.2)	(879.9)	(900.1)	(948.2)	(985.2)	(1,024.1)	(1,052.6)
Off-budget.....	(189.6)	(214.0)	(242.1)	(263.4)	(286.6)	(307.7)	(325.3)
Receipts.....	769.1	842.4	916.6	976.2	1,048.3	1,123.2	1,191.2
On-budget.....	(568.9)	(628.4)	(674.5)	(712.8)	(761.6)	(815.4)	(865.9)
Off-budget.....	(200.2)	(214.0)	(242.1)	(263.4)	(286.6)	(307.7)	(325.3)
Outlays.....	989.8	1,015.6	1,024.3	1,069.0	1,107.8	1,144.4	1,178.9
On-budget.....	(806.3)	(821.1)	(821.9)	(857.3)	(885.4)	(911.1)	(935.1)
Off-budget.....	(183.5)	(194.5)	(202.4)	(211.7)	(222.4)	(233.3)	(243.9)
Surplus or deficit (—).....	—220.7	—173.2	—107.8	—92.8	—59.5	—21.3	12.3
On-budget.....	(—237.5)	(—192.7)	(—147.4)	(—144.5)	(—123.8)	(—95.7)	(—69.1)
Off-budget.....	(16.7)	(19.5)	(39.7)	(51.7)	(64.3)	(74.4)	(81.4)

## THE CREDIT BUDGET

New direct loan obligations.....	41.3	34.9	27.1	23.1	22.1	21.9	21.0
New guaranteed loan commitments <sup>1</sup> .....	159.2	155.7	128.4	129.5	130.5	129.6	129.5
<b>Total.....</b>	<b>200.6</b>	<b>190.6</b>	<b>155.5</b>	<b>152.7</b>	<b>152.6</b>	<b>151.4</b>	<b>150.5</b>
Change in outstandings:							
Direct loans.....	11.2	—15.2	—15.3	—9.1	—8.2	—7.4	—8.9
Guaranteed loans <sup>1</sup> .....	34.6	76.4	54.1	43.5	40.0	36.8	34.2
<b>Total.....</b>	<b>45.7</b>	<b>61.1</b>	<b>38.8</b>	<b>34.4</b>	<b>31.8</b>	<b>29.4</b>	<b>25.3</b>

FEDERAL DEBT <sup>2</sup>

	1985 actual	1986 actual	Estimate					
			1987	1988	1989	1990	1991	1992
<b>Debt outstanding, end of year:</b>								
Gross Federal debt.....	1,827.2	2,132.9	2,372.4	2,585.5	2,796.9	2,991.3	3,162.6	3,309.8
Held by:								
Government accounts.....	317.4	386.8	464.0	570.4	689.4	824.8	975.2	1,135.2
The public <sup>3</sup> .....	1,509.9	1,746.1	1,908.4	2,015.1	2,107.5	2,166.5	2,187.4	2,174.7
(Federal Reserve Banks).....	(169.8)	(190.9)						
(Others).....	(1,340.1)	(1,555.3)						
<b>ADDENDUM</b>								
Debt subject to statutory limitation.....	1,823.8	2,111.0	2,353.3	2,573.0	2,790.8	2,986.7	3,158.0	3,305.3

<sup>1</sup> To avoid double counting, excludes guarantees (or commitments) of loans previously guaranteed or guarantees (or commitments) by one Government account of direct loans made by another Government account.

<sup>2</sup> For additional information on the Federal debt, see table 6 of this part, Part 6a of this volume, and Special Analysis E, "Borrowing and Debt."

<sup>3</sup> The estimates for 1987-92 have been revised from those shown in the *Budget*, dated January 5, 1987, due to a technical correction. Note.—For all years, transactions of the social security trust funds are presented off-budget and transactions of formerly off-budget accounts are included on-budget.







Medicare .....	70.2	71.6	78.2	86.9	96.1	71.6	73.0	81.1	87.9	.....	-5.2	-5.8	-8.2
Income security .....	119.8	125.0	129.5	134.4	139.9	124.9	124.8	128.7	133.5	-0.1	-4.7	-5.8	-6.4
Social security .....	198.8	207.9	219.5	232.7	247.1	207.9	219.4	232.5	246.8	.....	-0.1	-0.2	-0.3
On-budget .....	(8.1)	(5.0)	(4.9)	(5.4)	(5.4)	(5.0)	(4.9)	(5.4)	(5.4)	.....	(-*)	(-*)	(-*)
Off-budget .....	(190.7)	(202.9)	(214.6)	(227.2)	(241.7)	(202.9)	(214.5)	(227.0)	(241.4)	.....	(-0.1)	(-0.2)	(-0.3)
Veterans benefits and services .....	26.4	26.8	27.5	28.2	28.8	26.7	27.2	27.6	28.0	-0.2	-0.2	-0.6	-0.8
Administration of justice .....	6.6	8.2	8.9	8.8	8.9	8.3	9.2	8.9	8.8	0.1	0.3	0.1	-0.2
General government .....	6.1	6.7	7.2	7.1	7.1	6.8	7.5	7.9	7.9	0.1	0.3	0.8	0.8
General purpose fiscal assistance .....	6.4	1.9	1.8	1.9	2.0	1.9	1.5	1.5	1.6	.....	-0.4	-0.4	-0.4
Net interest .....	136.0	136.6	139.0	142.9	142.7	137.5	139.0	141.5	139.0	0.9	0.1	-1.3	-3.7
On-budget .....	(140.3)	(141.6)	(145.5)	(152.1)	(154.9)	(142.5)	(145.6)	(150.8)	(151.3)	(0.9)	(0.1)	(-1.3)	(-3.6)
Off-budget .....	(-4.3)	(-5.1)	(-6.6)	(-9.2)	(-12.2)	(-5.1)	(-6.6)	(-9.2)	(-12.3)	.....	(-*)	(-*)	(-0.1)
Allowances <sup>1</sup> .....	.....	.....	0.7	1.6	2.7	.....	-0.8	0.5	2.8	.....	-1.4	-1.1	0.1
Undistributed offsetting receipts:													
Employer share, employee retirement (on-budget) .....	-25.4	-28.0	-31.8	-33.2	-34.5	-28.0	-32.1	-33.8	-35.5	.....	-0.3	-0.6	-1.0
Employer share, employee retirement (off-budget) .....	-2.9	-3.3	-5.4	-6.0	-6.6	-3.3	-5.5	-6.1	-6.7	.....	-0.1	-0.2	-0.2
Rents and royalties on the Outer Continental Shelf .....	-4.7	-3.9	-3.7	-3.5	-3.8	-3.9	-3.7	-3.5	-3.8	.....	.....	.....	.....
Sale of major assets .....	.....	-1.9	.....	.....	.....	-1.9	-4.1	-2.3	-2.5	.....	-4.1	-2.3	-2.5
Total, undistributed offsetting receipts .....	-33.0	-37.1	-40.9	-42.6	-44.8	-37.1	-45.4	-45.8	-48.5	.....	-4.5	-3.1	-3.7







## SUMMARY TABLES

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Table 3. RECEIPTS BY SOURCE AND OUTLAYS BY AGENCY, 1986-92

(In billions of dollars)

	1986 actual	Estimate					
		1987	1988	1989	1990	1991	1992
<b>Receipts by Source:</b>							
Individual income taxes.....	349.0	364.0	392.8	417.3	450.8	489.0	523.7
Corporation income taxes.....	63.1	104.8	117.2	128.6	139.8	149.2	160.5
Social insurance taxes and contributions.....	283.9	301.5	333.2	357.2	384.0	409.9	431.2
On-budget.....	(83.7)	(87.4)	(91.1)	(93.8)	(97.3)	(102.2)	(106.0)
Off-budget.....	(200.2)	(214.0)	(242.1)	(263.4)	(286.6)	(307.7)	(325.3)
Excise taxes.....	32.9	32.6	33.4	32.9	33.7	34.3	35.2
Estate and gift taxes.....	7.0	6.0	5.8	5.0	4.4	3.9	3.3
Customs duties.....	13.3	14.4	15.3	16.2	16.8	17.6	18.5
Miscellaneous receipts.....	19.9	19.1	18.9	19.0	18.8	19.3	18.8
<b>Total receipts.....</b>	<b>769.1</b>	<b>842.4</b>	<b>916.6</b>	<b>976.2</b>	<b>1,048.3</b>	<b>1,123.2</b>	<b>1,191.2</b>
On-budget.....	(568.9)	(628.4)	(674.5)	(712.8)	(761.6)	(815.4)	(865.9)
Off-budget.....	(200.2)	(214.0)	(242.1)	(263.4)	(286.6)	(307.7)	(325.3)
<b>Outlays by agency:</b>							
Legislative branch.....	1.7	2.1	2.2	2.2	2.2	2.2	2.3
The Judiciary.....	1.1	1.2	1.4	1.5	1.5	1.5	1.6
Executive Office of the President.....	0.1	0.1	0.1	0.1	0.1	0.1	0.1
Funds appropriated to the President.....	11.4	11.8	11.2	13.3	12.7	12.3	11.7
Agriculture.....	58.7	55.1	50.7	46.5	42.9	39.5	37.6
Commerce.....	2.1	2.4	2.3	2.4	3.3	2.0	1.9
Defense—Military <sup>1</sup> .....	265.6	274.2	289.3	303.7	321.0	340.0	361.0
Defense—Civil.....	20.3	20.9	22.1	23.4	24.5	25.5	26.5
Education.....	17.7	16.8	14.7	14.4	13.3	12.8	12.4
Energy.....	11.0	10.6	10.2	10.9	11.8	12.5	13.5
Health and Human Services, except social security.....	143.3	145.3	146.8	156.3	165.2	176.4	185.9
Health and Human Services, social security.....	190.7	202.9	214.5	227.0	241.4	256.2	270.6
Housing and Urban Development.....	14.1	14.6	13.9	14.3	14.0	13.6	13.7
Interior.....	4.8	5.2	4.4	4.7	4.6	4.4	4.3
Justice.....	3.8	4.8	5.8	5.6	5.4	5.5	5.6
Labor.....	24.1	24.5	25.4	25.4	25.9	26.2	26.8
State.....	2.9	3.3	3.6	3.7	3.9	4.0	3.9
Transportation.....	27.4	26.2	24.6	25.9	25.5	25.0	25.4
Treasury.....	179.2	180.2	187.3	197.0	200.7	202.9	196.0
Environmental Protection Agency.....	4.9	4.6	4.6	4.7	4.7	4.6	4.5
General Services Administration.....	0.2	—0.1	—0.4	—0.3	—0.2	—0.3	—0.7
National Aeronautics and Space Administration.....	7.4	7.9	9.5	11.1	11.1	11.0	11.0
Office of Personnel Management.....	24.0	27.7	26.8	28.4	29.9	31.5	33.1
Small Business Administration.....	0.6	0.1	—0.3	—0.1	0.4	0.4	0.4
Veterans Administration.....	26.5	26.8	27.0	27.6	27.9	28.5	28.9
Other independent agencies.....	11.4	17.9	11.5	9.2	10.5	11.9	11.8
Allowances <sup>2</sup> .....			—0.8	0.5	2.8	4.9	7.1
Undistributed offsetting receipts.....	—65.0	—71.8	—84.2	—90.2	—99.1	—110.8	—118.0
Interest.....	(—32.0)	(—34.7)	(—38.8)	(—44.4)	(—50.6)	(—56.8)	(—62.4)
Other.....	(—33.0)	(—37.1)	(—45.4)	(—45.8)	(—48.5)	(—54.0)	(—55.6)



Table 3. RECEIPTS BY SOURCE AND OUTLAYS BY AGENCY, 1986-92—Continued

(In billions of dollars)

	1986 actual	Estimate					
		1987	1988	1989	1990	1991	1992
<b>Total outlays.....</b>	<b>989.8</b>	<b>1,015.6</b>	<b>1,024.3</b>	<b>1,069.0</b>	<b>1,107.8</b>	<b>1,144.4</b>	<b>1,178.9</b>
On-budget.....	(806.3)	(821.1)	(821.9)	(857.3)	(885.4)	(911.1)	(935.1)
Off-budget.....	(183.5)	(194.5)	(202.4)	(211.7)	(222.4)	(233.3)	(243.9)
<b>Surplus or deficit (—).....</b>	<b>—220.7</b>	<b>—173.2</b>	<b>—107.8</b>	<b>—92.8</b>	<b>—59.5</b>	<b>—21.3</b>	<b>12.3</b>
On-budget.....	(—237.5)	(—192.7)	(—147.4)	(—144.5)	(—123.8)	(—95.7)	(—69.1)
Off-budget.....	(16.7)	(19.5)	(39.7)	(51.7)	(64.3)	(74.4)	(81.4)

<sup>a</sup> Includes allowances for civilian and military pay raises for the Department of Defense.<sup>b</sup> Includes allowances for civilian agency pay raises and military pay raises for the Coast Guard.



Table 4.—OUTLAYS BY FUNCTION, 1986-92

(In billions of dollars)

	1986 actual	Estimate					
		1987	1988	1989	1990	1991	1992
050 National defense:	273.4	282.2	297.6	312.2	330.0	349.5	370.9
Department of Defense—Military <sup>1</sup>	265.6	274.2	289.3	303.7	321.0	340.0	361.0
Other	7.7	8.0	8.2	8.5	9.0	9.5	9.9
150 International affairs	14.2	14.6	15.2	18.1	17.9	18.0	17.7
250 General science, space, and technology	9.0	9.5	11.4	13.2	13.5	13.8	14.3
270 Energy	4.7	3.8	3.3	2.9	3.2	2.9	3.1
300 Natural resources, and environment	13.6	13.9	14.2	15.2	15.3	14.9	14.5
350 Agriculture	31.4	31.1	26.3	21.8	18.2	14.7	13.0
370 Commerce and housing credit	4.4	9.3	2.5	0.7	1.4	0.2	-1.6
400 Transportation	28.1	27.0	25.5	26.7	26.4	25.8	26.2
450 Community and regional development	7.2	6.2	5.5	4.4	4.0	4.2	4.2
500 Education, training, employment, and social services	30.6	29.8	28.4	28.9	28.0	27.5	26.5
550 Health	35.9	39.7	38.9	40.4	42.2	43.9	45.6
570 Medicare	70.2	71.6	73.0	81.1	87.9	95.9	104.4
600 Income security	119.8	124.9	124.8	128.7	133.5	138.9	143.6
650 Social security	198.8	207.9	219.4	232.5	246.8	261.5	275.5
On-budget	(8.1)	(5.0)	(4.9)	(5.4)	(5.4)	(5.3)	(4.9)
Off-budget	(190.7)	(202.9)	(214.5)	(227.0)	(241.4)	(256.2)	(270.6)
700 Veterans benefits and services	26.4	26.7	27.2	27.6	28.0	28.6	29.0
750 Administration of justice	6.6	8.3	9.2	8.9	8.8	8.9	9.1
800 General government	6.1	6.8	7.5	7.9	7.9	7.9	7.8
850 General purpose fiscal assistance	6.4	1.9	1.5	1.5	1.6	1.7	1.7
900 Net interest	136.0	137.5	139.0	141.5	139.0	134.8	122.1
On-budget	(140.3)	(142.5)	(145.6)	(150.8)	(151.3)	(150.4)	(141.1)
Off-budget	(-4.3)	(-5.1)	(-6.6)	(-9.2)	(-12.3)	(-15.6)	(-19.0)
920 Allowances <sup>2</sup>			-0.8	0.5	2.8	4.9	7.1
950 Undistributed offsetting receipts:							
Employer share, employee retirement (on-budget)	-25.4	-28.0	-32.1	-33.8	-35.5	-37.3	-39.0
Employer share, employee retirement (off-budget)	-2.9	-3.3	-5.5	-6.1	-6.7	-7.3	-7.8
Rents and royalties on the Outer Continental Shelf	-4.7	-3.9	-3.7	-3.5	-3.8	-4.0	-4.3
Sale of major assets		-1.9	-4.1	-2.3	-2.5	-5.4	-4.5
Total undistributed offsetting receipts	-33.0	-37.1	-45.4	-45.8	-48.5	-54.0	-55.6
On-budget	(-30.2)	(-33.8)	(-39.9)	(-39.7)	(-41.8)	(-46.8)	(-47.8)
Off-budget	(-2.9)	(-3.3)	(-5.5)	(-6.1)	(-6.7)	(-7.3)	(-7.8)
<b>Total outlays</b>	<b>989.8</b>	<b>1,015.6</b>	<b>1,024.3</b>	<b>1,069.0</b>	<b>1,107.8</b>	<b>1,144.4</b>	<b>1,178.9</b>
On-budget	(806.3)	(821.1)	(821.9)	(857.3)	(885.4)	(911.1)	(935.1)
Off-budget	(183.5)	(194.5)	(202.4)	(211.7)	(222.4)	(233.3)	(243.9)

<sup>1</sup> Includes allowances for civilian and military pay raises for the Department of Defense.<sup>2</sup> Includes allowances for civilian agency pay raises and military pay raises for the Coast Guard.



Table 5. CREDIT BUDGET: NEW DIRECT LOAN OBLIGATIONS AND GUARANTEED LOAN COMMITMENTS BY AGENCY

(In millions of dollars)

Department or other unit	Direct loan obligations			Guaranteed loan commitments		
	1986 actual	1987 estimate	1988 estimate	1986 actual	1987 estimate	1988 estimate
Funds Appropriated to the President .....	6,443	5,405	5,720	282	345	250
Agriculture .....	26,658	22,508	15,915	4,117	8,113	6,840
Commerce .....	10	160	17	41	72	.....
Defense .....	568	.....	.....	.....	.....	.....
Education .....	1,582	1,232	1,404	8,575	9,591	9,398
Energy .....	4	.....	.....	.....	.....	.....
Health and Human Services .....	22	47	32	374	343	100
Housing and Urban Development <sup>1</sup> .....	1,060	1,711	832	102,673	87,125	70,000
Interior .....	67	67	45	37	40	34
Labor .....	2	3	3	.....	.....	.....
State .....	1	1	1	.....	.....	.....
Transportation .....	1,337	658	153	48	.....	.....
Environmental Protection Agency .....	32	.....	.....	.....	.....	.....
Small Business Administration .....	1,543	916	804	2,780	3,617	3,510
Veterans Administration .....	972	933	829	34,297	35,000	27,930
Other independent agencies:	.....	.....	.....	.....	.....	.....
Export-Import Bank .....	578	900	1,000	5,508	11,355	10,000
Federal Deposit Insurance Corporation .....	128	.....	.....	.....	.....	.....
Federal Savings and Loan Insurance Corporation (FHLBB) .....	21	25	25	506	103	300
National Credit Union Administration .....	34	61	77	6	2	1
Tennessee Valley Authority .....	268	301	280	.....	.....	.....
<b>Total .....</b>	<b>41,329</b>	<b>34,927</b>	<b>27,136</b>	<b>159,243</b>	<b>155,705</b>	<b>128,362</b>
<b>ADDENDUM</b>						
Secondary guaranteed loans <sup>1</sup> .....	.....	.....	.....	137,962	132,500	100,000

<sup>1</sup> Commitments by GNMA to guarantee securities that are backed by loans previously insured or guaranteed by the Federal Housing Administration, Veterans Administration, or Farmers Home Administration (secondary guarantees) are excluded from the totals and shown as a memorandum entry.



Table 6. FEDERAL GOVERNMENT FINANCING AND DEBT

(In billions of dollars)

## FINANCING

	1986 actual	Estimate					
		1987	1988	1989	1990	1991	1992
Surplus or deficit (—) .....	—220.7	—173.2	—107.8	—92.8	—59.5	—21.3	12.3
On-budget .....	(—237.5)	(—192.7)	(—147.4)	(—144.5)	(—123.8)	(—95.7)	(—69.1)
Off-budget .....	(16.7)	(19.5)	(39.7)	(51.7)	(64.3)	(74.4)	(81.4)
Means of financing other than borrowing from the public:							
Decrease or increase (—) in Treasury operating cash balance ..	—14.3	11.4					
Increase or decrease (—) in:							
Checks outstanding, etc. <sup>1</sup> .....	1.9	1.9	1.8				
Deposit fund balances .....	—3.5	—2.8	—1.2				
Seigniorage on coins .....	0.4	0.4	0.4	0.4	0.4	0.4	0.4
Total, means of financing other than borrowing from the public .....	—15.6	10.9	1.0	0.4	0.4	0.4	0.4
Total, requirements for borrowing from the public .....	—236.3	—162.2	—106.7	—92.3	—59.1	—20.9	12.7
Change in debt held by the public .....	236.3	162.2	106.7	92.3	59.1	20.9	—12.7

## DEBT, END OF YEAR

Gross Federal debt:							
Debt issued by Treasury .....	2,128.2	2,364.7	2,580.3	2,793.2	2,989.1	3,160.3	3,307.7
Debt issued by other agencies .....	4.8	7.8	5.1	3.7	2.2	2.2	2.2
Total, gross Federal debt .....	2,132.9	2,372.4	2,585.5	2,796.9	2,991.3	3,162.6	3,309.8
Held by:							
Government accounts .....	386.8	464.0	570.4	689.4	824.8	975.2	1,135.2
The public .....	1,746.1	1,908.4	2,015.1	2,107.5	2,166.5	2,187.4	2,174.7
Federal Reserve Banks .....	190.9						
Others .....	1,555.3						



Table 6. FEDERAL GOVERNMENT FINANCING AND DEBT—Continued

(In billions of dollars)

## DEBT SUBJECT TO STATUTORY LIMITATION, END OF YEAR

	1986 actual	Estimate					
		1987	1988	1989	1990	1991	1992
Debt issued by Treasury .....	2,128.2	2,364.7	2,580.3	2,793.2	2,989.1	3,160.3	3,307.7
Treasury debt not subject to limitation (—) <sup>a</sup> .....	—18.5	—12.7	—7.6	—2.6	—2.6	—2.6	—2.6
Agency debt subject to limitation.....	1.3	1.3	0.2	0.2	0.2	0.2	0.2
<b>Total, debt subject to statutory limitation <sup>a</sup> .</b>	<b>2,111.0</b>	<b>2,353.3</b>	<b>2,573.0</b>	<b>2,790.8</b>	<b>2,986.7</b>	<b>3,158.0</b>	<b>3,305.3</b>

<sup>a</sup> Besides checks outstanding, includes accrued interest payable on Treasury debt, miscellaneous liability accounts, allocations of special drawing rights, and, as an offset, cash and monetary assets other than the Treasury operating cash balance, miscellaneous asset accounts, profit on sale of gold, and a technical error in recording FDC outlays in 1986.

<sup>a</sup> Consists of Federal Financing Bank debt, the unamortized difference between the purchase price and par value of certain Treasury securities held by Government accounts, and other Treasury debt not subject to statutory limitation.

<sup>a</sup> The permanent statutory debt limit is \$2,111 billion. Public Law 99-509 temporarily increased the limit to \$2,300 billion through May 15, 1987.



Table 7. FULL-TIME EQUIVALENT OF FEDERAL CIVILIAN EMPLOYMENT <sup>1</sup>

	Fiscal year				difference 1987-88
	1986 actual <sup>2</sup>	1987 estimate	1988 estimate	1989 estimate	
Agriculture .....	102,997	106,393	99,085	98,894	-7,308
Commerce .....	32,321	33,849	41,049	43,577	7,200
Defense—civil functions .....	28,511	28,348	28,347	28,347	-1
Education .....	4,526	4,500	4,500	4,500	.....
Energy .....	16,193	16,100	15,950	15,850	-150
Health and Human Services .....	128,105	124,745	119,099	114,208	-5,646
Housing and Urban Development .....	11,720	12,535	12,438	11,428	-97
Interior .....	70,657	71,350	70,400	70,400	-950
Justice .....	63,307	69,463	76,920	77,782	7,457
Labor .....	17,931	18,339	18,060	17,997	-279
State .....	25,261	26,147	26,658	26,803	511
Transportation .....	60,375	60,480	59,868	57,404	-612
Treasury .....	130,845	136,807	146,188	148,574	9,381
Environmental Protection Agency .....	12,931	14,165	14,323	14,263	158
National Aeronautics and Space Administration .....	21,660	21,800	22,425	22,425	625
Veterans Administration .....	220,642	221,227	216,709	215,218	-4,518
Other:					
Agency for International Development .....	4,675	4,825	4,825	4,825	.....
General Services Administration .....	22,745	22,281	21,677	20,877	-604
Nuclear Regulatory Commission .....	3,445	3,369	3,250	3,180	-119
Office of Personnel Management .....	5,306	5,419	5,195	5,005	-224
Panama Canal Commission .....	8,336	8,550	8,665	8,665	115
Small Business Administration .....	4,054	4,115	4,227	4,050	112
Tennessee Valley Authority .....	27,613	29,500	29,500	29,500	.....
United States Information Agency .....	8,981	9,120	9,020	9,020	-100
Miscellaneous .....	39,652	43,529	44,049	43,981	520
Estimated nondefense lapse .....	.....	-21,939	-19,292	-16,452	2,647
<b>Civilian agency employment</b> .....	<b>1,072,789</b>	<b>1,075,017</b>	<b>1,083,135</b>	<b>1,080,321</b>	<b>8,118</b>
Defense—military functions <sup>3</sup> .....	1,041,352	1,039,000	1,037,000	1,036,000	-2,000
Subtotal .....	2,114,141	2,114,017	2,120,135	2,116,321	6,118
Postal Service Employment <sup>4</sup> .....	739,574	764,590	794,000	824,000	29,410
<b>Total, Executive Branch</b> .....	<b>2,853,715</b>	<b>2,878,607</b>	<b>2,914,135</b>	<b>2,940,321</b>	<b>35,528</b>

<sup>1</sup> Excludes developmental positions under the Worker-Trainee Opportunity Program (WTOP) as well as certain statutory exemptions.  
<sup>2</sup> Data are estimated for portions of Defense—civil functions as well as for the Federal Reserve System, Board of Governors and the International Trade Commission.

<sup>3</sup> Section 904 of the 1982 Defense Authorization Act (Public Law 97-86) exempts the Department of Defense from full-time equivalent employment controls. Data shown are estimated.

<sup>4</sup> Includes the Postal Rate Commission.



Table 8. BUDGET AUTHORITY BY FUNCTION, 1986-92

(In billions of dollars)

	1986 actual	Estimate					
		1987	1988	1989	1990	1991	1992
050 National defense .....	289.1	292.9	312.0	332.4	353.5	375.0	396.9
Department of Defense—Military <sup>1</sup> .....	(281.4)	(284.9)	(303.3)	(323.3)	(343.9)	(364.9)	(386.5)
Other .....	(7.8)	(8.0)	(8.7)	(9.1)	(9.6)	(10.1)	(10.4)
150 International affairs .....	16.7	18.0	19.1	18.3	19.2	19.2	19.2
250 General science, space, and technology .....	9.3	12.2	11.5	12.9	13.5	14.1	14.6
270 Energy .....	6.0	2.6	2.5	3.6	3.9	4.1	4.0
300 Natural resources and environment .....	11.7	13.2	14.1	14.9	14.9	14.1	13.7
350 Agriculture .....	29.9	27.3	22.2	24.0	21.6	16.7	18.6
370 Commerce and housing credit .....	11.0	7.9	8.8	8.6	9.5	8.3	7.9
400 Transportation .....	28.9	27.0	24.6	24.6	24.8	25.7	25.9
450 Community and regional development .....	6.9	6.1	5.3	5.9	5.8	5.3	5.1
500 Education, training, employment, and social services .....	30.3	30.0	28.8	28.4	27.6	27.3	26.2
550 Health .....	36.6	40.3	41.4	42.2	43.4	44.9	46.3
570 Medicare .....	87.2	83.9	94.4	103.4	112.5	122.3	132.7
600 Income security .....	158.0	160.5	160.2	165.3	170.3	185.4	187.8
650 Social security .....	201.7	227.4	259.1	284.2	311.0	335.9	356.9
On-budget .....	(4.9)	(5.0)	(4.9)	(5.4)	(5.4)	(5.3)	(4.9)
Off-budget .....	(196.8)	(222.4)	(254.2)	(278.8)	(305.7)	(330.6)	(352.0)
700 Veterans benefits and services .....	27.2	27.1	27.7	28.3	28.5	28.8	29.3
750 Administration of justice .....	6.8	8.7	9.0	9.0	9.1	9.3	9.4
800 General government .....	6.8	6.9	7.5	7.8	8.0	8.0	8.1
850 General purpose fiscal assistance .....	5.8	1.6	1.5	1.5	1.6	1.7	1.7
900 Net interest .....	136.0	137.5	139.0	141.5	139.0	134.8	122.1
On-budget .....	(140.3)	(142.5)	(145.6)	(150.8)	(151.3)	(150.4)	(141.1)
Off-budget .....	(-4.3)	(-5.1)	(-6.6)	(-9.2)	(-12.3)	(-15.6)	(-19.0)
920 Allowances <sup>2</sup> .....			-0.9	0.5	2.8	5.1	7.3
950 Undistributed offsetting receipts:							
Employer share, employee retirement (on-budget) .....	-25.4	-28.0	-32.1	-33.8	-35.5	-37.3	-39.0
Employer share, employee retirement (off-budget) .....	-2.9	-3.3	-5.5	-6.1	-6.7	-7.3	-7.8
Rents and royalties on the Outer Continental Shelf .....	-4.7	-3.9	-3.7	-3.5	-3.8	-4.0	-4.3
Sale of major assets .....		-1.9	-4.1	-2.3	-2.5	-5.4	-4.5
Total undistributed offsetting receipts .....	-33.0	-37.1	-45.4	-45.8	-48.5	-54.0	-55.6
On-budget .....	(-30.2)	(-33.8)	(-39.9)	(-39.7)	(-41.8)	(-46.8)	(-47.8)
Off-budget .....	(-2.9)	(-3.3)	(-5.5)	(-6.1)	(-6.7)	(-7.3)	(-7.8)
<b>Total budget authority</b> .....	<b>1,072.8</b>	<b>1,093.9</b>	<b>1,142.2</b>	<b>1,211.6</b>	<b>1,271.9</b>	<b>1,331.8</b>	<b>1,377.9</b>
On-budget .....	(883.2)	(879.9)	(900.1)	(948.2)	(985.2)	(1,024.1)	(1,052.6)
Off-budget .....	(189.6)	(214.0)	(242.1)	(263.4)	(286.6)	(307.7)	(325.3)

<sup>1</sup>Includes allowances for civilian and military pay raises for the Department of Defense.<sup>2</sup>Includes allowances for civilian agency pay raises and military pay raises for the Coast Guard.



Table 9. BUDGET AUTHORITY BY AGENCY, 1986-92

(In billions of dollars)

Department or other unit	1986 Actual	Estimate					
		1987	1988	1989	1990	1991	1992
Legislative Branch.....	1.7	1.9	2.2	2.2	2.2	2.2	2.3
The Judiciary.....	1.0	1.3	1.5	1.5	1.5	1.6	1.6
Executive Office of the President.....	0.1	0.1	0.1	0.1	0.1	0.1	0.1
Funds Appropriated to the President.....	11.1	12.6	13.1	12.2	12.9	12.7	12.8
Agriculture.....	59.2	53.1	49.0	52.4	50.7	45.7	47.7
Commerce.....	2.0	2.0	2.1	2.4	3.1	2.0	1.8
Defense—Military <sup>1</sup> .....	281.4	284.9	303.3	323.3	343.9	364.9	386.5
Defense—Civil.....	32.7	34.5	36.7	38.5	40.6	42.5	44.5
Education.....	17.9	17.1	14.0	13.8	13.3	12.8	12.5
Energy.....	10.6	9.6	10.5	11.9	12.6	13.4	13.7
Health and Human Services, except social security.....	156.5	158.4	171.0	180.6	190.7	203.3	214.2
Health and Human Services, social security.....	196.8	222.4	254.2	278.8	305.7	330.6	352.0
Housing and Urban Development.....	15.9	14.2	10.2	10.3	10.5	18.0	15.6
Interior.....	4.6	4.6	4.4	4.6	4.6	4.5	4.4
Justice.....	3.9	5.3	5.6	5.7	5.7	5.8	5.8
Labor.....	28.8	29.1	28.3	27.9	27.5	28.6	28.1
State.....	4.0	3.8	4.3	4.4	4.4	4.5	4.5
Transportation.....	28.1	26.1	23.6	23.8	23.9	24.8	25.0
Treasury.....	179.7	180.3	187.1	197.1	200.7	202.8	195.8
Environmental Protection Agency.....	3.4	4.9	4.6	4.5	4.4	4.0	3.7
General Services Administration.....	0.3	0.1	-0.2	-0.2	-0.1	-0.1	-0.1
National Aeronautics and Space Administration.....	7.8	10.5	9.5	10.6	10.9	11.0	11.0
Office of Personnel Management.....	44.2	44.8	47.0	49.2	51.6	53.8	55.8
Small Business Administration ..	0.7	0.5	0.4	0.5	0.5	0.4	0.4
Veterans Administration.....	27.1	27.0	27.6	28.2	28.4	28.7	29.2
Other Independent Agencies.....	18.2	16.6	17.0	17.2	17.9	18.9	19.8
Allowances <sup>2</sup> .....			-0.9	0.5	2.8	5.1	7.3
Undistributed offsetting receipts:							
Interest received by on- budget trust funds.....	-26.6	-28.7	-31.6	-35.2	-38.3	-41.1	-43.4
Interest received by off- budget trust funds.....	-4.3	-5.1	-6.6	-9.2	-12.3	-15.6	-19.0
Interest received by OCS escrow account.....	-1.1	-0.9	-0.6				
Employer share, employee retirement (on-budget)....	-25.4	-28.0	-32.1	-33.8	-35.5	-37.3	-39.0
Employer share, employee retirement (off-budget)....	-2.9	-3.3	-5.5	-6.1	-6.7	-7.3	-7.8



Table 9. BUDGET AUTHORITY BY AGENCY, 1986-92—Continued

(In billions of dollars)

Department or other unit	1986 Actual	Estimate					
		1987	1988	1989	1990	1991	1992
Rents and royalties on the Outer Continental Shelf .....	-4.7	-3.9	-3.7	-3.5	-3.8	-4.0	-4.3
Sale of major assets .....		-1.9	-4.1	-2.3	-2.5	-5.4	-4.5
Total undistributed offsetting receipts .....	-65.0	-71.8	-84.2	-90.2	-99.1	-110.8	-118.0
On-budget .....	(-57.8)	(-63.4)	(-72.1)	(-74.9)	(-80.1)	(-87.9)	(-91.3)
Off-budget .....	(-7.2)	(-8.4)	(-12.1)	(-15.4)	(-19.0)	(-22.9)	(-26.8)
<b>Total budget authority .....</b>	<b>1,072.8</b>	<b>1,093.9</b>	<b>1,142.2</b>	<b>1,211.6</b>	<b>1,271.9</b>	<b>1,331.8</b>	<b>1,377.9</b>
On-budget .....	(883.2)	(879.9)	(900.1)	(948.2)	(985.2)	(1,024.1)	(1,052.6)
Off-budget .....	(189.6)	(214.0)	(242.1)	(263.4)	(286.6)	(307.7)	(325.3)
<b>MEMORANDUM</b>							
Available through current action by Congress:							
Enacted and pending .....	535.0	555.1					
Proposed in this budget .....		-1.2	567.6	608.7	636.6	N/A	N/A
To be requested separately .....		0.7	4.0	1.2	3.0	N/A	N/A
Available without current action by Congress .....	725.8	724.2	779.9	819.1	863.6	N/A	N/A
Deductions for offsetting receipts <sup>a</sup> .....	-188.1	-185.0	-209.3	-217.5	-231.4	N/A	N/A
<b>Total budget authority .....</b>	<b>1,072.8</b>	<b>1,093.9</b>	<b>1,142.2</b>	<b>1,211.6</b>	<b>1,271.9</b>	<b>1,331.8</b>	<b>1,377.9</b>

N/A = Not available

<sup>a</sup> Includes allowances for civilian and military pay raises for Department of Defense.<sup>a</sup> Includes allowances for civilian agency pay raises and military pay raises for the Coast Guard.<sup>a</sup> These consist of intragovernmental transactions and proprietary receipts from the public.



Table 10. BUDGET AUTHORITY AND OUTLAYS AVAILABLE WITH AND WITHOUT CURRENT ACTION BY CONGRESS <sup>1</sup>

(in millions of dollars)

Department or other unit	Budget authority			Outlays		
	1986 actual	1987 estimate	1988 estimate	1986 actual	1987 estimate	1988 estimate
Portion available through current action by Congress:						
Legislative branch.....	1,580	1,766	1,989	1,411	1,646	1,884
The Judiciary .....	1,030	1,276	1,437	945	1,123	1,278
Executive Office of the President.....	108	119	127	93	103	111
Funds appropriated to the President....	13,565	13,320	14,065	5,695	5,504	5,291
Agriculture.....	25,681	24,548	29,659	22,848	22,409	24,645
Commerce.....	2,067	1,958	2,122	1,378	1,379	1,564
Defense—Military <sup>2</sup> .....	278,453	285,603	303,797	158,202	163,158	175,712
Defense—Civil.....	2,786	3,202	3,357	1,932	2,411	2,552
Education.....	17,932	17,046	14,043	7,572	5,558	4,139
Energy .....	13,336	12,777	13,779	8,128	7,988	8,375
Health and Human Services <sup>3</sup> .....	72,427	78,771	83,905	65,136	71,650	69,231
Housing and Urban Development.....	14,939	12,267	8,289	826	936	1,022
Interior .....	4,928	4,810	4,758	3,612	3,864	3,684
Justice .....	3,806	5,208	5,322	2,957	3,869	4,123
Labor .....	6,340	5,303	8,613	1,999	1,627	4,260
State .....	3,484	3,196	3,711	2,174	2,334	2,440
Transportation.....	9,855	19,470	10,484	5,975	7,804	6,054
Treasury .....	10,422	6,547	7,452	9,626	5,686	6,511
Environmental Protection Agency.....	3,660	5,540	4,689	1,156	1,930	1,272
General Services Administration.....	392	383	251	321	317	156
National Aeronautics and Space Administration.....	7,807	10,408	9,481	5,322	5,353	5,891
Office of Personnel Management.....	6,040	6,115	6,187	5,240	5,997	4,446
Small Business Administration.....	371	486	379	139	150	161
Veterans Administration.....	26,230	26,300	26,824	23,043	23,181	23,483
Other independent agencies.....	7,802	8,221	7,805	5,698	6,190	5,457
Allowances <sup>4</sup> .....			—883			—770
<b>Subtotal .....</b>	<b>535,040</b>	<b>554,641</b>	<b>571,645</b>	<b>341,428</b>	<b>352,169</b>	<b>362,972</b>
Portion available without current action by Congress.....	725,804	724,295	779,872	536,769	514,505	513,506
Outlays from obligated balances <sup>5</sup> .....				214,620	216,314	225,849
Outlays from unobligated balances <sup>6</sup> .....				85,072	117,588	131,338
Deductions for offsetting receipts .....	—188,073	—185,003	—209,338	—188,073	—185,003	—209,338
<b>Total budget authority and outlays.....</b>	<b>1,072,773</b>	<b>1,093,933</b>	<b>1,142,180</b>	<b>989,815</b>	<b>1,015,572</b>	<b>1,024,328</b>
<b>MEMORANDUM</b>						
Appropriations to liquidate contract authority: <sup>7</sup>						
Agriculture.....		2,486	665			
Interior .....	10	12				
Transportation.....	14,958	14,453	15,288			
<b>Total.....</b>	<b>14,968</b>	<b>16,952</b>	<b>15,953</b>			

<sup>1</sup> Includes budget authority and outlays that are off-budget under current law.<sup>2</sup> Includes allowances for civilian and military pay raises for Department of Defense.<sup>3</sup> Includes amounts for social security trust funds that are available through current action by Congress.<sup>4</sup> Includes allowances for civilian agency pay raises and military pay raises for the Coast Guard.<sup>5</sup> Outlays from appropriations to liquidate contract authority are included as outlays from balances.<sup>6</sup> Excluded from budget authority above.



Table 11. RELATION OF BUDGET AUTHORITY TO OUTLAYS <sup>1</sup>

(In millions of dollars)

Description	1986 actual	1987 estimate	1988 estimate
<b>Budget authority available through current action by Congress:</b>			
Enacted, pending, or recommended herein:			
Appropriations <sup>2</sup> .....	528,476	542,097	560,843
Contract authority.....	5,700	12,496	2,501
Authority to borrow.....	636	-1,349	51
Reappropriations and reauthorizations.....	228	660	69
To be requested separately:			
Appropriations <sup>2</sup> .....		737	7,476
Contract authority.....			-30
Authority to borrow.....			734
<b>Total budget authority available through current action by Congress (table 10).....</b>	<b>535,040</b>	<b>554,641</b>	<b>571,645</b>
<b>Budget authority available without current action by Congress (permanent authorizations):</b>			
Appropriations <sup>2</sup> .....	658,824	676,820	735,928
Contract authority.....	34,101	15,476	22,614
Authority to borrow.....	32,880	31,999	21,331
<b>Deductions for offsetting receipts (table 14):</b>			
Intragovernmental transactions.....	-153,024	-148,618	-167,304
Proprietary receipts from the public.....	-35,049	-36,385	-42,034
<b>Total budget authority for the year (table 8).....</b>	<b>1,072,773</b>	<b>1,093,933</b>	<b>1,142,180</b>
<b>Unobligated balances and adjustments:</b>			
Unobligated balances:			
Brought forward at start of year (table 12).....	479,724	526,141	580,191
Written off (rescinded, lapsed, etc.) <sup>3</sup> .....	-13,312	-17,760	-16,804
Carried forward at end of year (table 12).....	-526,141	-580,191	-680,133
<b>Obligations incurred, net <sup>4</sup>.....</b>	<b>1,013,044</b>	<b>1,022,123</b>	<b>1,025,433</b>
<b>Obligated balances:</b>			
Brought forward at start of year, funded (table 12).....	589,316	601,782	596,872
Adjustments in expired accounts.....	9,921	-1,127	-13
Adjustments in unexpired accounts.....	-20,692	-10,334	-11,210
Deficiency appropriations.....	9		
Carried forward at end of year (table 12).....	-601,782	-596,872	-586,755
<b>Outlays (table 3).....</b>	<b>989,815</b>	<b>1,015,572</b>	<b>1,024,328</b>
<b>MEMORANDUM</b>			
<b>Federal funds included above:</b>			
Budget authority available through current action by Congress....	532,048	541,522	559,740
Budget authority <sup>5</sup> .....	779,716	779,313	795,201
Obligations incurred, net <sup>5</sup> .....	781,527	772,116	777,473
Budget outlays <sup>5</sup> .....	756,486	769,097	780,469

<sup>1</sup> Includes budget authority and outlays that are off-budget under current law.<sup>2</sup> Excludes appropriations to liquidate contract authority.

	1986 actual	1987 estimate	1988 estimate
Enacted, pending, or recommended herein.....	37,008	36,990	36,275

<sup>3</sup> Includes redemption of agency debt and capital transfers to the general fund, as well as proposed and enacted rescissions of unobligated balances.<sup>4</sup> For additional information on obligations incurred, net, see the OMB report entitled, "Object Class Analysis", which can be purchased from the National Technical Information Service shortly after the budget is transmitted.<sup>5</sup> Amounts are net of intrafund transactions and proprietary receipts from the public.



Table 12. BALANCES OF BUDGET AUTHORITY <sup>1</sup>

(In millions of dollars)

Department or other unit	Start 1986		End 1986		End 1987		End 1988	
	Obligated	Unobligated	Obligated	Unobligated	Obligated	Unobligated	Obligated	Unobligated
Legislative branch .....	401	401	388	415	383	195	389	152
The Judiciary .....	124	142	115	122	159	128	176	138
Executive Office of the President .....	21	*	17	*	18	*	19	*
Funds appropriated to the President .....	33,740	31,226	32,962	29,634	32,752	29,433	32,329	29,370
Agriculture .....	24,521	2,189	29,445	2,255	22,407	1,227	13,404	989
Commerce .....	1,643	352	1,445	387	1,129	169	946	162
Defense—Military <sup>2</sup> .....	182,861	61,487	196,407	59,046	209,459	50,464	224,031	49,697
Defense—Civil .....	2,184	10,459	2,135	22,939	2,398	36,189	2,664	50,556
Education .....	13,683	1,993	13,670	1,676	11,877	2,221	11,488	1,320
Energy .....	7,949	2,450	7,111	2,649	7,613	563	7,883	131
Health and Human Services, except social security .....	7,301	36,563	7,309	48,447	10,410	58,052	12,869	79,793
Health and Human Services, social security .....	14,727	25,026	15,824	30,046	16,836	48,554	16,838	88,222
Housing and Urban Development .....	212,131	58,427	203,883	56,698	189,933	59,027	171,998	59,605
Interior .....	2,346	2,156	2,165	2,104	1,919	1,735	1,788	1,689
Justice .....	730	445	884	338	1,422	282	1,214	384
Labor .....	4,957	19,802	3,755	25,412	3,585	30,002	4,828	31,412
State .....	702	2,990	867	3,962	1,193	4,089	1,352	4,660
Transportation .....	35,197	12,252	38,851	12,053	38,075	12,659	37,548	11,905
Treasury .....	3,459	22,589	1,016	19,396	996	19,082	1,114	18,815
Environmental Protection Agency .....	10,176	1,136	8,828	1,048	8,835	1,327	9,189	921
General Services Administration ..	970	1,244	402	1,879	811	1,587	1,069	1,512
National Aeronautics and Space Administration .....	1,631	913	1,640	1,249	2,347	3,096	2,647	2,651
Office of Personnel Management .....	1,982	146,999	2,768	166,458	2,994	183,330	3,188	203,329
Small Business Administration ...	260	1,952	421	589	398	850	363	1,176
Veterans Administration .....	4,071	13,174	4,201	13,516	4,848	13,050	5,162	13,120
Other independent agencies:								
Export-Import Bank .....	3,109	439	1,732	797	2,628	2,023	2,153	2,650
Federal Home Loan Bank Board .....	1,907	3,920	6,671	1,084	3,812	199	3,175	1,535
Railroad Retirement Board .....	71	4,176	—259	6,289	—191	6,955	—96	7,809
All other independent agencies .....	16,461	14,820	17,128	15,651	17,825	13,704	17,139	16,430
Allowances <sup>3</sup> .....							—113	
<b>Total .....</b>	<b>589,316</b>	<b>479,724</b>	<b>601,782</b>	<b>526,141</b>	<b>596,872</b>	<b>580,191</b>	<b>586,755</b>	<b>680,133</b>
<b>MEMORANDUM</b>								
Federal funds .....	516,596	206,866	531,068	191,579	522,625	181,271	508,407	182,248
Trust funds .....	72,721	272,857	70,714	334,562	74,247	398,920	78,348	497,886
<b>Total .....</b>	<b>589,316</b>	<b>479,724</b>	<b>601,782</b>	<b>526,141</b>	<b>596,872</b>	<b>580,191</b>	<b>586,755</b>	<b>680,133</b>

<sup>1</sup>\$500 thousand or less.<sup>2</sup>Includes balances of budget authority that are off-budget under current law.<sup>3</sup>Includes balances of allowances for civilian and military pay raises for the Department of Defense.<sup>4</sup>Includes balances of allowances for civilian agency pay raises.



Table 14. OFFSETTING RECEIPTS BY TYPE

(In millions of dollars)

Type	1986 actual	1987 estimate	1988 estimate
<b>INTRAGOVERNMENTAL TRANSACTIONS</b>			
<b>Intrabudgetary transactions:</b>			
<b>Federal Intrafund transactions:</b>			
<b>Distributed by agency:</b>			
Interest from the Federal Financing Bank .....	16,377	13,836	14,475
Interest on Government capital in enterprises .....	5,056	4,463	4,534
Other .....	166	146	151
<b>Total Federal intrafunds .....</b>	<b>21,599</b>	<b>18,446</b>	<b>19,159</b>
<b>Trust intrafund transactions:</b>			
<b>Distributed by agency .....</b>	<b>2</b>	<b>2</b>	<b>2</b>
<b>Total intrafund transactions .....</b>	<b>21,601</b>	<b>18,447</b>	<b>19,160</b>
<b>Interfund transactions:</b>			
<b>Distributed by agency:</b>			
Federal fund payments to trust funds:			
Contributions to insurance programs:			
Military retirement fund .....	10,500	10,524	11,200
Supplementary medical insurance .....	18,076	20,285	23,937
Hospital insurance .....	254	980	960
Railroad social security equivalent benefits .....	2,232	2,318	2,381
Railroad industry pension fund .....	1,114	244	85
Civilian supplementary retirement contributions .....	16,880	16,218	16,209
Unemployment insurance .....	292	338	333
Other .....	322	352	966
Miscellaneous contributions:			
State and local government fiscal assistance .....	4,185		
Other .....	347	1,033	228
<b>Subtotal .....</b>	<b>54,203</b>	<b>52,291</b>	<b>56,298</b>
Trust fund payments to Federal funds:			
Repayment of loans or advances to trust funds .....	4,841	3,381	5,585
Charges for services to trust funds .....	279	259	252
Other .....	228	239	1,231
<b>Subtotal .....</b>	<b>5,347</b>	<b>3,879</b>	<b>7,068</b>
<b>Total interfunds distributed by agency .....</b>	<b>59,551</b>	<b>56,170</b>	<b>63,367</b>
<b>Undistributed by agency:</b>			
Employer share, employee retirement (on-budget):			
Civil service retirement and disability insurance .....	6,357	7,661	10,026
Hospital insurance (contribution as employer) <sup>1</sup> .....	1,604	1,685	1,899
Military retirement fund .....	17,429	18,193	18,782
Other Federal employees retirement .....	44	474	1,421
<b>Total employer share, employee retirement (on-budget) .....</b>	<b>25,434</b>	<b>28,013</b>	<b>32,128</b>
Interest received by on-budget trust funds .....	26,570	28,685	31,608
<b>Total Interfund transactions undistributed by agency .....</b>	<b>52,004</b>	<b>56,698</b>	<b>63,737</b>
<b>Total interfund transactions .....</b>	<b>111,555</b>	<b>112,868</b>	<b>127,104</b>
<b>Total intrabudgetary transactions .....</b>	<b>133,156</b>	<b>131,315</b>	<b>146,264</b>



Table 14. OFFSETTING RECEIPTS BY TYPE—Continued

(In millions of dollars)

Type	1986 actual	1987 estimate	1988 estimate
<b>Payments by on-budget accounts to off-budget accounts:</b>			
Interfund transactions:			
Distributed by agency:			
Federal fund payments to trust funds:			
Old-age, survivors, and disability insurance .....	8,971	5,603	5,497
Undistributed by agency:			
Employer share, employee retirement (off-budget) .....	2,857	3,275	5,484
Interest received by off-budget trust funds .....	4,329	5,084	6,594
Total payments by on-budget accounts to off-budget accounts .....	16,158	13,962	17,575
<b>Payments by off-budget accounts to on-budget accounts:</b>			
Intrafund transactions from off-budget accounts:			
Distributed by agency:			
Payments to railroad retirement <sup>a</sup> .....	2,653	2,746	2,850
Interest payments to hospital insurance .....	383		
Total intrafund transactions from off-budget accounts .....	3,036	2,746	2,850
Interfund transactions from off-budget accounts:			
Distributed by agency:			
Interest payments to the Treasury .....	516	595	615
Total payments by off-budget accounts to on-budget accounts .....	3,552	3,341	3,465
<b>Intratrust transactions between off-budget accounts:</b>			
Distributed by agency:			
Interest on inter-trust borrowings .....	159		
Total intragovernmental transactions .....	153,024	148,618	167,304
<b>PROPRIETARY RECEIPTS FROM THE PUBLIC</b>			
<b>Distributed by agency:</b>			
<b>Interest:</b>			
Interest on loans, Foreign Assistance Act .....	396	343	343
Other interest on foreign loans and deferred foreign collections .....	874	1,011	1,084
Interest on deposits in tax and loan accounts .....	906	750	705
Other interest (domestic-civil) <sup>a</sup> .....	862	767	907
Total interest .....	3,039	2,871	3,039
<b>Dividends and other earnings</b> .....		5	5
<b>Rents:</b>			
Rent and bonuses from land leases, etc .....	94	58	102
Rent of land and other real property .....	—11	48	42
Rent of equipment and other personal property .....	14	15	16
Total rents .....	96	121	161
<b>Royalties</b> .....	844	784	829
<b>Sale of products:</b>			
Sale of timber and other natural land products .....	1,010	1,057	1,045
Sale of minerals and mineral products .....	580	609	701
Sale of power and other utilities .....	773	944	731
Sale of other products .....	*	*	*
Recovery of mint manufacturing expense .....	182	104	51
Total sale of products .....	2,544	2,713	2,528



Table 14. OFFSETTING RECEIPTS BY TYPE—Continued

(In millions of dollars)

Type	1986 actual	1987 estimate	1988 estimate
<b>Fees and other charges for services and special benefits:</b>			
Medicare premiums and other charges (trust fund).....	5,739	6,545	8,881
Revenues for enrichment of uranium.....	1,351	1,286	1,301
Nuclear waste disposal revenues.....	368	441	512
Veterans life insurance (trust funds).....	441	403	402
Tolls and other revenues, Panama Canal.....	437	450	.....
Other <sup>a</sup> .....	1,209	2,253	4,208
Total fees and other charges.....	9,545	11,377	15,304
<b>Sale of Government property:</b>			
Sale of land and other real property <sup>a</sup> .....	59	253	403
Sale of equipment and other personal property:			
Military assistance program sales (trust fund).....	10,725	8,914	8,896
Sale of scrap and salvage material.....	61	65	67
Total sale of Government property.....	10,846	9,233	9,366
<b>Realization upon loans and investments:</b>			
Dollar repayments of loans, Agency for International Development.....	414	452	451
Foreign military credit sales.....	58	76	111
Dollar conversion of foreign currency.....	38	111	111
Repayment of loans to United Kingdom.....	87	89	90
Other.....	696	366	106
Total realization upon loans and investments.....	1,293	1,095	870
<b>Recoveries and refunds <sup>a</sup>.....</b>	<b>394</b>	<b>453</b>	<b>554</b>
<b>Miscellaneous receipt accounts <sup>a</sup>.....</b>	<b>659</b>	<b>1,029</b>	<b>986</b>
Total proprietary receipts from the public distributed by agency.....	29,261	29,681	33,643
<b>Undistributed by agency:</b>			
Other interest: Interest received from Outer Continental Shelf escrow account.....	1,072	901	604
Rents and royalties on the Outer Continental Shelf:			
Rents and bonuses.....	2,094	1,373	856
Royalties.....	2,622	2,530	2,830
Sale of major assets.....	.....	1,900	4,100
Total proprietary receipts from the public undistributed by agency.....	5,788	6,704	8,391
Total proprietary receipts from the public <sup>4</sup> .....	35,049	36,385	42,034
Total offsetting receipts.....	188,073	185,003	209,338

<sup>a</sup>\$500 thousand or less.<sup>1</sup> Includes provision for covered Federal civilian employees and military personnel.<sup>2</sup> Interchange receipts between the social security and railroad retirement funds place the social security funds in the same position they would have been if there were no separate railroad retirement system.<sup>3</sup> Includes both Federal funds and trust funds.<sup>4</sup> Consists of:

	1986 actual	1987 estimate	1988 estimate
Federal funds.....	18,027	17,844	21,638
Trust funds.....	17,021	18,541	20,396
Off-budget.....	.....	.....	.....



Table 16. CONTROLLABILITY OF OUTLAYS, 1986-88

(in billions of dollars)

	1986 actual	1987 estimate	1988 estimate
<b>Relatively uncontrollable under present law:</b>			
Open-ended programs and fixed costs:			
Payments for individuals:			
Social security and railroad retirement .....	199.9	208.9	220.4
On-budget .....	(2.5)	(2.8)	(2.9)
Off-budget .....	(197.4)	(206.1)	(217.5)
Federal employees' retirement and insurance .....	52.9	55.8	57.8
Unemployment assistance .....	16.3	16.6	16.4
Medical care .....	97.8	101.6	111.4
Assistance to students .....	4.5	3.4	3.7
Food and nutrition assistance .....	3.8	4.2	4.5
Public assistance and related programs .....	24.5	25.8	28.2
All other relatively uncontrollable payments for individuals .....	2.9	2.9	2.9
Subtotal, payments for individuals .....	402.6	419.3	445.3
Net interest .....	136.0	137.5	139.2
On-budget .....	(140.3)	(142.5)	(145.8)
Off-budget .....	(-4.3)	(-5.1)	(-6.6)
General revenue sharing .....	5.1	.1	.....
Farm price supports (CCC) .....	25.8	25.3	21.0
Other open-ended programs and fixed costs .....	-5.4	3.7	-5.2
Total, open-ended programs and fixed costs .....	564.1	585.8	600.3
Outlays from prior-year contracts and obligations: <sup>1</sup>			
National defense .....	107.8	113.9	117.1
Civilian programs .....	73.5	71.3	76.1
Total, outlays from prior-year contracts and obligations .....	181.3	185.2	193.2
Total, relatively uncontrollable outlays .....	745.4	771.0	793.4
<b>Relatively controllable outlays:</b>			
National defense .....	165.4	168.1	180.1
Civilian programs .....	107.3	107.7	88.0
Administrative expenses of relatively uncontrollable payments for individuals .....	(8.1)	(8.4)	(8.7)
On-budget .....	(5.8)	(6.0)	(6.2)
Off-budget .....	(2.2)	(2.4)	(2.5)
Other .....	(99.2)	(99.3)	(79.3)
Total, relatively controllable outlays .....	272.7	275.8	268.1
Undistributed employer share, employee retirement .....	27.2	31.3	37.2
On-budget .....	(-25.4)	(-28.0)	(-32.0)
Off-budget .....	(-2.9)	(-3.3)	(-5.2)
Total outlays .....	989.8	1,015.6	1,024.3



Table 16. CONTROLLABILITY OF OUTLAYS, 1986-88—Continued

(In billions of dollars)

	1986 actual	1987 estimate	1988 estimate
<b>MEMORANDUM—Percent of total outlays</b>			
<b>Relatively uncontrollable under present law:</b>			
Open-ended programs and fixed costs:			
Payments for individuals .....	40.7	41.3	43.5
Other .....	16.3	16.4	15.1
Total open-ended programs and fixed costs .....	55.0	57.7	48.6
Outlays from prior-year contracts and obligations .....	18.2	18.5	18.9
Total relatively uncontrollable outlays .....	75.3	75.9	77.5
Relatively controllable outlays .....	27.6	27.2	26.2
Undistributed employer share, employee retirement .....	-2.9	-3.1	-3.6
Total outlays .....	100.0	100.0	100.0

<sup>1</sup> Excluding prior year contracts and obligations for activities shown as "open-ended programs and fixed costs."



Table 18. OUTLAYS BY FUNCTION AND SUBFUNCTION, 1978-88

(in millions of dollars)

Function	Actual							Estimate			
	1978	1979	1980	1981	1982	1983	1984	1985	1986	1987	1988
<b>050 NATIONAL DEFENSE:</b>											
051 Department of Defense—Military:											
Military personnel.....	35,553	37,345	40,897	47,941	55,170	60,886	64,158	67,842	71,511	70,808	75,677
Operation and maintenance.....	33,578	36,424	44,770	51,864	59,674	64,915	67,369	72,348	75,259	76,714	81,368
Procurement.....	19,976	25,404	29,021	35,191	43,271	53,624	61,879	70,381	76,517	82,695	82,798
Research, development, test, and evaluation.....	10,508	11,152	13,127	15,278	17,729	20,554	23,117	27,103	32,283	34,178	38,266
Military construction.....	1,932	2,080	2,450	2,458	2,922	3,524	3,706	4,260	5,067	4,952	5,186
Family housing.....	1,405	1,468	1,680	1,721	1,993	2,126	2,413	2,648	2,819	2,767	3,012
Other <sup>1</sup> .....	—602	—201	—969	—614	—18	—1,198	—1,801	794	1,455	4,374	.....
051 Subtotal, Department of Defense—Military.....	102,348	113,672	130,976	153,838	180,741	204,430	220,840	245,371	265,636	274,200	289,300
053 Atomic energy defense activities.....	2,070	2,541	2,878	3,398	4,309	5,171	6,120	7,098	7,445	7,440	7,817
054 Defense-related activities.....	76	129	142	277	259	301	453	279	294	606	433
<b>TOTAL, 050 NATIONAL DEFENSE.....</b>	<b>104,495</b>	<b>116,342</b>	<b>133,995</b>	<b>157,513</b>	<b>185,309</b>	<b>209,903</b>	<b>227,413</b>	<b>252,748</b>	<b>273,375</b>	<b>282,246</b>	<b>297,550</b>
<b>150 INTERNATIONAL AFFAIRS:</b>											
151 International development and humanitarian assistance.....	2,647	2,910	3,626	4,131	3,772	3,955	4,478	5,409	4,968	4,355	4,899
152 International security assistance.....	3,926	3,655	4,763	5,095	5,416	6,613	7,924	9,391	10,499	8,570	7,695
153 Conduct of foreign affairs.....	1,128	1,310	1,366	1,346	1,630	1,766	1,882	2,054	2,280	2,733	2,987
154 Foreign information and exchange activities.....	423	465	534	525	571	602	682	793	907	1,032	1,114
155 International financial programs.....	—642	—881	2,425	2,007	911	—1,089	910	—1,471	—4,501	—2,083	—1,486
<b>TOTAL, 150 INTERNATIONAL AFFAIRS.....</b>	<b>7,482</b>	<b>7,459</b>	<b>12,714</b>	<b>13,104</b>	<b>12,300</b>	<b>11,848</b>	<b>15,876</b>	<b>16,176</b>	<b>14,152</b>	<b>14,607</b>	<b>15,209</b>



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Table 18. OUTLAYS BY FUNCTION AND SUBFUNCTION, 1978-88—Continued

(In millions of dollars)

Function	Actual										Estimate	
	1978	1979	1980	1981	1982	1983	1984	1985	1986	1987	1988	
<b>370 COMMERCE AND HOUSING CREDIT:</b>												
371 Mortgage credit and deposit insurance.....	3,570	2,253	5,602	4,696	4,016	3,880	3,766	871	1,899	5,515	-2,013	
372 Postal Service.....	1,282	896	1,246	1,432	154	1,111	1,239	1,351	758	1,781	3,045	
376 Other advancement of commerce.....	1,402	1,637	2,642	2,078	2,085	1,690	1,913	2,007	1,790	2,004	1,501	
<b>TOTAL, 370 COMMERCE AND HOUSING CREDIT.....</b>	<b>6,254</b>	<b>4,686</b>	<b>9,390</b>	<b>8,206</b>	<b>6,256</b>	<b>6,681</b>	<b>6,917</b>	<b>4,229</b>	<b>4,448</b>	<b>9,300</b>	<b>2,533</b>	
<b>400 TRANSPORTATION:</b>												
401 Ground transportation.....	10,431	12,115	15,274	17,074	14,321	14,265	16,158	17,506	18,725	17,866	16,581	
402 Air transportation.....	3,243	3,355	3,723	3,814	3,526	4,000	4,415	4,895	5,287	5,304	5,935	
403 Water transportation.....	1,787	1,969	2,229	2,381	2,687	2,989	3,010	3,201	3,964	3,717	2,871	
407 Other transportation.....	61	93	104	110	90	99	85	137	140	130	136	
<b>TOTAL, 400 TRANSPORTATION.....</b>	<b>15,521</b>	<b>17,532</b>	<b>21,329</b>	<b>23,379</b>	<b>20,625</b>	<b>21,354</b>	<b>23,669</b>	<b>25,838</b>	<b>28,117</b>	<b>27,017</b>	<b>25,523</b>	
<b>450 COMMUNITY AND REGIONAL DEVELOPMENT:</b>												
451 Community development.....	3,298	4,000	4,907	5,070	4,608	4,353	4,520	4,598	4,095	4,254	3,661	
452 Area and regional development.....	5,672	4,868	4,303	3,818	3,841	3,208	3,034	3,117	2,723	1,937	1,791	
453 Disaster relief and insurance.....	2,871	1,611	2,043	1,680	-102	-1	119	-35	416	-24	11	
<b>TOTAL, 450 COMMUNITY AND REGIONAL DEVELOPMENT.....</b>	<b>11,841</b>	<b>10,480</b>	<b>11,252</b>	<b>10,568</b>	<b>8,347</b>	<b>7,560</b>	<b>7,673</b>	<b>7,680</b>	<b>7,233</b>	<b>6,167</b>	<b>5,463</b>	
<b>500 EDUCATION, TRAINING, EMPLOYMENT, AND SOCIAL SERVICES:</b>												
501 Elementary, secondary, and vocational education.....	5,186	6,123	6,908	7,157	6,780	6,294	6,520	7,633	7,832	7,618	7,755	
502 Higher education.....	3,721	5,058	6,726	8,866	7,206	7,231	7,383	8,211	8,415	7,519	5,535	
503 Research and general education aids.....	1,022	1,131	1,197	997	1,041	1,055	1,210	1,121	1,164	1,398	1,251	



504 Training and employment.....	10,784	10,833	10,345	9,241	5,464	5,295	4,644	4,972	5,257	5,001	5,201
505 Other labor services.....	410	488	551	587	589	599	639	678	672	730	802
506 Social services.....	5,588	6,592	6,116	6,861	5,950	6,133	7,185	6,728	7,246	7,543	7,885
<b>TOTAL, 500 EDUCATION, TRAINING, EMPLOYMENT, AND SOCIAL SERVICES.....</b>	<b>26,710</b>	<b>30,273</b>	<b>31,843</b>	<b>33,709</b>	<b>27,029</b>	<b>26,606</b>	<b>27,579</b>	<b>29,342</b>	<b>30,585</b>	<b>29,808</b>	<b>28,429</b>
<b>550 HEALTH:</b>											
551 Health care services.....	13,928	15,988	18,003	21,205	21,786	23,008	24,522	26,984	28,850	32,040	31,453
552 Health research.....	2,822	3,023	3,442	3,836	3,948	3,973	4,379	4,908	5,393	5,925	6,158
553 Education and training of health care work force.....	930	583	719	779	670	578	388	468	529	455	350
554 Consumer and occupational health and safety.....	844	899	1,006	1,047	1,041	1,081	1,129	1,182	1,165	1,245	903
<b>TOTAL, 550 HEALTH.....</b>	<b>18,524</b>	<b>20,494</b>	<b>23,169</b>	<b>26,866</b>	<b>27,445</b>	<b>28,641</b>	<b>30,417</b>	<b>33,542</b>	<b>35,936</b>	<b>39,665</b>	<b>38,865</b>
<b>570 MEDICARE.....</b>	<b>22,763</b>	<b>26,495</b>	<b>32,090</b>	<b>39,149</b>	<b>46,567</b>	<b>52,588</b>	<b>57,540</b>	<b>65,822</b>	<b>70,164</b>	<b>71,614</b>	<b>73,032</b>
<b>600 INCOME SECURITY:</b>											
601 General retirement and disability insurance (excluding social security).....	3,365	4,373	5,083	5,439	5,571	5,581	5,441	5,617	5,330	5,543	5,396
602 Federal employee retirement and disability.....	19,836	22,658	26,594	31,277	34,325	36,507	38,054	38,591	41,363	43,551	42,905
603 Unemployment compensation.....	11,767	10,741	18,023	19,656	23,728	31,464	18,421	17,475	17,753	17,983	17,677
604 Housing assistance.....	3,677	4,367	5,632	7,752	8,738	9,998	11,270	25,263	12,383	12,944	13,392
605 Food and nutrition assistance.....	8,926	10,787	14,016	16,205	15,581	17,952	18,055	18,540	18,602	19,362	18,638
609 Other income security.....	13,917	13,433	17,191	19,394	19,774	21,096	21,427	22,715	24,364	25,522	26,776
<b>TOTAL, 600 INCOME SECURITY.....</b>	<b>61,488</b>	<b>66,359</b>	<b>86,540</b>	<b>99,723</b>	<b>107,717</b>	<b>122,598</b>	<b>112,668</b>	<b>128,200</b>	<b>119,796</b>	<b>124,905</b>	<b>124,784</b>
<b>650 SOCIAL SECURITY:</b>											
On-budget.....	93,861	104,073	118,547	139,594	155,964	170,724	178,223	188,523	198,757	207,865	219,388
Off-budget.....	(741)	(757)	(675)	(670)	(844)	(19,993)	(7,056)	(5,189)	(8,072)	(5,008)	(4,882)
	(93,120)	(103,316)	117,872)	(138,914)	(155,120)	(150,731)	(171,167)	(183,434)	(190,684)	(202,857)	(214,506)
<b>700 VETERANS BENEFITS AND SERVICES:</b>											
701 Income security for veterans.....	9,745	10,780	11,688	12,909	13,710	14,250	14,400	14,714	15,031	15,079	15,248



Table 18. OUTLAYS BY FUNCTION AND SUBFUNCTION, 1978-88—Continued

(In millions of dollars)

Function	Actual										Estimate	
	1978	1979	1980	1981	1982	1983	1984	1985	1986	1987	1988	
702 Veterans education, training and rehabilitation.....	3,365	2,760	2,342	2,254	1,947	1,625	1,359	1,059	526	372	537	
703 Hospital and medical care for veterans ..	5,254	5,611	6,515	6,955	7,517	8,272	8,861	9,547	9,872	10,257	10,499	
704 Veterans housing.....	28	154	-23	201	102	3	244	214	114	131	-13	
705 Other veterans benefits and services.....	585	627	665	662	682	696	751	758	813	841	888	
<b>TOTAL, 700 VETERANS BENEFITS AND SERVICES .....</b>	<b>18,978</b>	<b>19,931</b>	<b>21,185</b>	<b>22,991</b>	<b>23,958</b>	<b>24,846</b>	<b>25,514</b>	<b>26,291</b>	<b>26,356</b>	<b>26,679</b>	<b>27,160</b>	
<b>750 ADMINISTRATION OF JUSTICE:</b>												
751 Federal law enforcement activities.....	1,831	1,992	2,237	2,437	2,529	2,887	3,205	3,526	3,632	4,636	5,150	
752 Federal litigative and judicial activities.....	943	1,130	1,347	1,491	1,517	1,627	1,825	2,064	2,176	2,559	2,698	
753 Federal correctional activities.....	307	337	342	361	364	418	494	537	614	755	936	
754 Criminal justice assistance.....	729	710	656	473	294	167	136	150	181	344	387	
<b>TOTAL, 750 ADMINISTRATION OF JUSTICE .....</b>	<b>3,810</b>	<b>4,169</b>	<b>4,582</b>	<b>4,762</b>	<b>4,703</b>	<b>5,099</b>	<b>5,660</b>	<b>6,277</b>	<b>6,603</b>	<b>8,293</b>	<b>9,170</b>	
<b>800 GENERAL GOVERNMENT:</b>												
801 Legislative functions.....	909	921	1,038	1,041	1,181	1,196	1,319	1,355	1,383	1,666	1,824	
802 Executive direction and management .....	73	81	97	100	96	96	97	113	109	116	128	
803 Central fiscal operations.....	2,001	2,174	2,614	2,616	2,593	3,053	3,254	3,485	3,605	4,470	5,290	
804 General property and records management.....	304	299	327	144	238	196	201	96	475	29	-161	
805 Central personnel management.....	129	127	154	159	136	115	139	164	126	147	144	
806 Other general government.....	448	523	569	745	504	768	557	521	482	862	746	
809 Deductions for offsetting receipts.....	-289	-198	-351	-222	-216	-636	-513	-506	-78	-450	-442	
<b>TOTAL, 800 GENERAL GOVERNMENT .....</b>	<b>3,576</b>	<b>3,928</b>	<b>4,448</b>	<b>4,582</b>	<b>4,532</b>	<b>4,789</b>	<b>5,053</b>	<b>5,228</b>	<b>6,102</b>	<b>6,840</b>	<b>7,528</b>	



850 GENERAL PURPOSE FISCAL ASSISTANCE:											
ANCE:											
851 General revenue sharing.....	6,830	6,854	6,835	5,140	4,575	4,620	4,573	4,591	5,121	82	*
852 Other general purpose fiscal assistance.....	1,612	1,515	1,747	1,713	1,816	1,831	2,195	1,762	1,310	1,862	1,475
TOTAL, 850 GENERAL PURPOSE FISCAL ASSISTANCE.....	8,442	8,369	8,582	6,854	6,390	6,452	6,770	6,353	6,431	1,944	1,475
900 NET INTEREST:											
901 Interest on the public debt.....	48,695	59,837	74,781	95,503	117,190	128,619	153,822	178,821	190,166	191,749	198,394
902 Interest received by on-budget trust funds.....	-6,128	-7,727	-9,707	-11,523	-13,995	-15,257	-17,044	-21,835	-26,570	-28,685	-31,608
903 Interest received by off-budget trust funds.....	-2,403	-2,224	-2,339	-2,288	-2,071	-1,845	-3,310	-4,118	-4,329	-5,084	-6,594
908 Other interest.....	-4,724	-7,271	-10,224	-12,958	-16,130	-21,743	-22,410	-23,438	-23,298	-20,520	-21,159
TOTAL, 900 NET INTEREST.....	35,441	42,615	52,512	68,734	84,995	89,774	111,058	129,430	135,969	137,461	139,032
On-budget.....	(37,843)	(44,839)	(54,851)	(71,022)	(87,065)	(91,619)	(114,368)	(133,548)	(140,298)	(142,544)	(145,626)
Off-budget.....	(-2,403)	(-2,224)	(-2,339)	(-2,288)	(-2,071)	(-1,845)	(-3,310)	(-4,118)	(-4,329)	(-5,084)	(-6,594)
920 ALLOWANCES:											
921 Civilian agency pay raises <sup>a</sup> .....											678
923 Savings from reform of Davis-Bacon and Service Contract Acts.....											-24
924 Credit reform initiative.....											-1,284
925 Proposed change in Government contribution for employee health benefits.....											-140
TOTAL, 920 ALLOWANCES.....											-770
950 UNDISTRIBUTED OFFSETTING RECEIPTS:											
951 Employer share, employee retirement (on-budget).....	-12,401	-13,095	-14,638	-16,473	-18,203	-21,706	-23,219	-24,648	-25,434	-28,013	-32,128
952 Employer share, employee retirement (off-budget).....	-1,060	-1,114	-1,204	-1,430	-1,646	-1,778	-2,044	-2,509	-2,857	-3,275	-5,484



Table 18. OUTLAYS BY FUNCTION AND SUBFUNCTION, 1978-88—Continued  
(In millions of dollars)

Function	Actual										Estimate	
	1978	1979	1980	1981	1982	1983	1984	1985	1986	1987	1988	
953 Rents and royalties on the Outer Continental Shelf	-2,259	-3,267	-4,101	-10,138	-6,250	-10,491	-6,694	-5,542	-4,716	-3,903	-3,686	
954 Sale of major assets										-1,900	-4,100	
<b>TOTAL, 950 UNDISTRIBUTED OFFSETTING RECEIPTS</b>	<b>-15,720</b>	<b>-17,476</b>	<b>-19,942</b>	<b>-28,041</b>	<b>-26,099</b>	<b>-33,976</b>	<b>-31,957</b>	<b>-32,698</b>	<b>-33,007</b>	<b>-37,091</b>	<b>-45,399</b>	
On-budget	(-14,660)	(-16,362)	(-18,738)	(-26,611)	(-24,453)	(-32,198)	(-29,913)	(-30,189)	(-30,150)	(-33,816)	(-39,915)	
Off-budget	(-1,060)	(-1,114)	(-1,204)	(-1,430)	(-1,646)	(-1,778)	(-2,044)	(-2,509)	(-2,857)	(-3,275)	(-5,484)	
<b>TOTAL OUTLAYS</b>	<b>458,729</b>	<b>503,464</b>	<b>590,920</b>	<b>678,209</b>	<b>745,706</b>	<b>808,327</b>	<b>851,781</b>	<b>946,316</b>	<b>989,815</b>	<b>1,015,572</b>	<b>1,024,328</b>	
On-budget	(369,072)	(403,486)	(476,591)	(543,013)	(594,302)	(661,219)	(841,815)	(769,509)	(806,318)	(821,074)	(821,900)	
Off-budget	(89,657)	(99,978)	(114,329)	(135,196)	(151,404)	(147,108)	(9,966)	(176,807)	(183,498)	(194,498)	(202,427)	
<b>MEMORANDUM</b>												
On-budget:												
Federal funds	342,355	374,867	433,468	496,182	543,437	613,277	638,594	725,895	756,486	769,097	780,469	
Trust funds	59,910	65,660	84,756	94,193	107,930	124,421	124,877	152,730	161,387	164,845	168,534	
Interfund transactions	-33,194	-37,041	-41,632	-47,362	-57,065	-76,480	-77,509	-109,116	-111,555	-112,868	-127,104	
Total on-budget	369,072	403,486	476,591	543,013	594,302	661,219	685,968	769,515	806,318	821,074	821,900	
Off-budget (trust funds)	89,657	99,978	114,329	135,196	151,404	147,108	165,813	176,807	183,498	194,498	202,427	
Total	458,729	503,464	590,920	678,209	745,706	808,327	851,781	946,316	989,815	1,015,572	1,024,328	

\*\$50 million or less.

† Includes allowances for civilian and military pay raises for Department of Defense.

‡ Includes allowance for military pay raise for the Coast Guard.



Table 19. FEDERAL FINANCES AND THE GROSS NATIONAL PRODUCT, 1969-90

(Dollar amounts in billions)

Fiscal year	Gross national product	Receipts				Outlays			
		Total		On-budget		Off-budget		Total	
		Amount	Percent of GNP	Amount	Percent of GNP	Amount	Percent of GNP	Amount	Percent of GNP
1969	929.5	185.9	20.1	157.9	17.0	29.0	3.1	183.6	19.8
1970	990.2	192.8	19.5	159.3	16.1	33.5	3.4	195.6	19.8
1971	1,055.9	187.1	17.7	151.3	14.3	35.8	3.4	210.2	19.9
1972	1,153.1	207.3	18.0	167.4	14.5	39.9	3.5	230.7	20.0
1973	1,281.4	230.8	18.0	184.7	14.4	46.1	3.6	245.7	19.2
1974	1,416.5	263.2	18.6	209.3	14.8	53.9	3.8	269.4	19.0
1975	1,522.5	279.1	18.3	216.6	14.2	62.5	4.1	332.3	21.8
1976	1,698.2	298.1	17.6	231.7	13.6	66.4	3.9	371.8	21.9
1977	1,933.0	355.6	18.4	278.7	14.4	76.8	4.0	409.2	21.2
1978	2,171.8	399.6	18.4	314.2	14.5	85.4	3.9	458.7	21.1
1979	2,447.8	463.3	18.9	365.3	14.9	98.0	4.0	503.5	20.6
1980	2,670.6	517.1	19.4	403.9	15.1	113.2	4.2	590.9	22.1
1981	2,986.4	599.3	20.1	469.1	15.7	130.2	4.4	678.2	22.7
1982	3,139.1	617.8	19.7	474.3	15.1	143.5	4.6	745.7	23.8
1983	3,321.9	600.6	18.1	453.2	13.6	147.3	4.4	808.3	24.3
1984	3,686.8	666.5	18.1	500.4	13.6	166.1	4.5	851.8	23.1
1985	3,937.2	734.1	18.6	547.9	13.9	186.2	4.7	946.3	24.0
1986	4,163.3	769.1	18.5	568.9	13.7	200.2	4.8	989.8	23.8
1987 estimate	4,418.9	842.4	19.1	628.4	14.2	214.0	4.8	1,015.6	23.0
1988 estimate	4,731.2	916.6	19.4	674.5	14.3	242.1	5.1	1,024.3	21.6
1989 estimate	5,076.0	976.2	19.2	712.8	14.0	263.4	5.2	1,069.0	21.1
1990 estimate	5,434.2	1,048.3	19.3	761.6	14.0	286.6	5.3	1,107.8	20.4
								885.4	16.3







Table 20. COMPOSITION OF RECEIPTS AND OUTLAYS IN CURRENT PRICES: 1971-90

(in billions of dollars)

Fiscal year	Receipts	Outlays						Surplus or deficit (-)		
		Total	National defense	Nondefense						
				Total nondefense	Payments for individuals	All other grants <sup>1</sup>	Net interest		Other	Undistrib- uted offsetting receipts
1971	187.1	210.2	78.9	131.3	80.4	17.7	14.8	28.5	-10.1	-23.0
1972	207.3	230.7	79.2	151.5	92.9	20.6	15.5	32.2	-9.6	-23.4
1973	230.8	245.7	76.7	169.0	104.5	28.1	17.3	32.5	-13.4	-14.9
1974	263.2	269.4	79.3	190.0	120.1	28.7	21.4	36.5	-16.7	-6.1
1975	279.1	332.3	86.5	245.8	153.5	33.3	23.2	49.4	-13.6	-53.2
1976	298.1	371.8	89.6	282.2	180.1	39.4	26.7	50.4	-14.4	-73.7
1977	355.6	409.2	97.2	312.0	196.3	46.1	29.9	54.5	-14.9	-53.6
1978	399.6	458.7	104.5	354.2	211.0	53.7	35.4	69.9	-15.7	-59.2
1979	463.3	503.5	116.3	387.1	232.9	55.9	42.6	73.2	-17.5	-40.2
1980	517.1	590.9	134.0	456.9	277.5	59.4	52.5	87.4	-19.9	-73.8
1981	599.3	678.2	157.5	520.7	323.4	57.8	68.7	98.8	-28.0	-78.9
1982	617.8	745.7	185.3	560.4	356.7	50.3	85.0	94.5	-26.1	-127.9
1983	600.6	808.3	209.9	598.4	395.3	50.8	89.8	96.5	-34.0	-207.8
1984	666.5	851.8	227.4	624.4	399.8	53.2	111.1	92.3	-32.0	-185.3
1985	734.1	946.3	252.7	693.6	425.6	57.6	129.4	113.7	-32.8	-212.3
1986	769.1	989.8	273.4	716.4	448.0	60.8	136.0	104.7	-33.0	-220.7
1987 estimate	842.4	1,015.6	282.2	733.3	465.3	55.5	137.5	112.2	-37.1	-173.2
1988 estimate	916.6	1,024.3	297.6	726.8	481.0	53.2	139.0	98.9	-45.4	-107.8
1989 estimate	976.2	1,069.0	312.2	756.8	509.5	53.2	141.5	98.3	-45.8	-92.8
1990 estimate	1,048.3	1,107.8	330.0	777.8	538.1	51.6	139.0	97.7	-48.5	-59.5

<sup>1</sup> Grants to State and local governments excluding those for payments for individuals.

Note: Excludes transition quarter.



Table 21. COMPOSITION OF RECEIPTS AND OUTLAYS IN CONSTANT (FISCAL YEAR 1982) PRICES: 1971-90

(in billions of dollars)

Fiscal year	Receipts	Outlays						Surplus or deficit (-)		
		Total	National defense	Nondefense						
				Total nondefense	Payments for individuals	All other grants <sup>1</sup>	Net interest		Other	Undistrib-uted offsetting receipts
1971	453.6	509.4	202.7	306.7	181.0	43.3	34.0	75.8	-27.3	-55.8
1972	474.2	527.6	190.9	336.7	200.1	47.4	33.6	79.7	-24.1	-53.5
1973	495.5	527.5	175.1	352.4	215.7	60.5	35.9	68.4	-28.1	-32.0
1974	516.6	528.7	163.3	365.3	228.3	56.8	41.1	71.9	-32.8	-12.0
1975	592.1	586.0	159.8	426.2	265.8	58.5	40.4	84.9	-23.4	-93.9
1976	488.9	609.8	153.6	456.2	291.7	64.3	43.0	80.1	-22.9	-120.9
1977	541.0	622.6	154.3	468.3	295.5	70.1	44.6	79.9	-21.7	-81.6
1978	568.0	652.2	155.0	497.1	296.8	75.7	49.4	97.0	-21.7	-84.1
1979	607.5	660.2	159.1	501.0	301.6	71.8	54.7	95.9	-22.9	-52.7
1980	611.7	699.1	164.0	535.1	324.7	68.4	62.0	103.8	-23.8	-87.3
1981	642.0	726.5	171.4	555.2	344.3	61.3	73.7	106.0	-30.1	-84.6
1982	617.8	745.7	185.3	560.4	356.7	50.3	85.0	94.5	-26.1	-127.9
1983	576.9	776.5	201.3	575.1	378.6	48.8	86.1	95.0	-33.4	-199.6
1984	618.1	789.9	211.5	578.4	368.6	49.2	102.6	88.5	-30.5	-171.9
1985	657.8	848.0	228.7	619.3	379.3	50.7	115.6	103.3	-29.5	-190.2
1986	673.0	866.2	242.1	624.1	389.4	51.5	117.9	94.6	-29.4	-193.2
1987 estimate	715.2	862.3	242.6	619.7	392.2	45.7	115.6	98.4	-32.2	-147.0
1988 estimate	751.0	839.3	246.9	592.5	391.6	42.2	113.0	84.1	-38.4	-88.3
1989 estimate	773.1	846.6	250.2	596.4	400.8	40.8	111.1	80.8	-37.1	-73.5
1990 estimate	803.0	848.6	256.0	592.6	409.6	38.2	105.6	77.8	-38.5	-45.6

<sup>1</sup> Grants to State and local governments excluding those for payments for individuals.

Note: Excludes transition quarter.



Table 22. TOTAL RECEIPTS AND OUTLAYS, 1789-1992 (in millions of dollars)

Fiscal year	Receipts	Outlays	Surplus or deficit (-)	Fiscal year	Receipts	Outlays	Surplus or deficit (-)
1789-1849 ...	1,160	1,090	+70	1947.....	38,514	34,496	+4,018
1850-1900 ...	14,462	15,453	-991	1948.....	41,560	29,764	+11,796
1901.....	588	525	+63	1949.....	39,415	38,835	+580
1902.....	562	485	+77	1950.....	39,443	42,562	-3,119
1903.....	562	517	+45	1951.....	51,616	45,514	+6,102
1904.....	541	584	-43	1952.....	66,167	67,686	-1,519
1905.....	544	567	-23	1953.....	69,608	76,101	-6,493
1906.....	595	570	+25	1954.....	69,701	70,855	-1,154
1907.....	666	579	+87	1955.....	65,451	68,444	-2,993
1908.....	602	659	-57	1956.....	74,587	70,640	+3,947
1909.....	604	694	-89	1957.....	79,990	76,578	+3,412
1910.....	676	694	-18	1958.....	79,636	82,405	-2,769
1911.....	702	691	+11	1959.....	79,249	92,098	-12,849
1912.....	693	690	+3	1960.....	92,492	92,191	+301
1913.....	714	715	-*	1961.....	94,388	97,723	-3,335
1914.....	725	726	-*	1962.....	99,676	106,821	-7,146
1915.....	683	746	-63	1963.....	106,560	111,316	-4,756
1916.....	761	713	+48	1964.....	112,613	118,528	-5,915
1917.....	1,101	1,954	-853	1965.....	116,817	118,228	-1,411
1918.....	3,645	12,677	-9,032	1966.....	130,835	134,532	-3,698
1919.....	5,130	18,493	-13,363	1967.....	148,822	157,464	-8,643
1920.....	6,649	6,358	+291	1968.....	152,973	178,134	-25,161
1921.....	5,571	5,062	+509	1969.....	186,882	183,640	+3,242
1922.....	4,026	3,289	+736	1970.....	192,807	195,649	-2,842
1923.....	3,853	3,140	+713	1971.....	187,139	210,172	-23,033
1924.....	3,871	2,908	+963	1972.....	207,309	230,681	-23,373
1925.....	3,641	2,924	+717	1973.....	230,799	245,707	-14,908
1926.....	3,795	2,930	+865	1974.....	263,224	269,359	-6,135
1927.....	4,013	2,857	+1,155	1975.....	279,090	332,332	-53,242
1928.....	3,900	2,961	+939	1976.....	298,060	371,779	-73,719
1929.....	3,862	3,127	+734	TQ.....	81,232	95,973	-14,741
1930.....	4,058	3,320	+738	1977.....	355,559	409,203	-53,644
1931.....	3,116	3,577	-462	1978.....	399,561	458,729	-59,168
1932.....	1,924	4,659	-2,735	1979.....	463,302	503,464	-40,162
1933.....	1,997	4,598	-2,602	1980.....	517,112	590,920	-73,808
1934.....	2,955	6,541	-3,586	1981.....	599,272	678,209	-78,936
1935.....	3,609	6,412	-2,803	1982.....	617,766	745,706	-127,940
1936.....	3,923	8,228	-4,304	1983.....	600,562	808,327	-207,764
1937.....	5,387	7,580	-2,193	1984.....	666,457	851,781	-185,324
1938.....	6,751	6,840	-89	1985.....	734,057	946,316	-212,260
1939.....	6,295	9,141	-2,846	1986.....	769,091	989,815	-220,725
1940.....	6,548	9,468	-2,920	1987 est.....	842,390	1,015,572	-173,182
1941.....	8,712	13,653	-4,941	1988 est.....	916,571	1,024,328	-107,756
1942.....	14,634	35,137	-20,503	1989 est.....	976,197	1,068,963	-92,766
1943.....	24,001	78,555	-54,554	1990 est.....	1,048,295	1,107,795	-59,501
1944.....	43,747	91,304	-47,557	1991 est.....	1,123,155	1,144,445	-21,290
1945.....	45,159	92,712	-47,553	1992 est.....	1,191,208	1,178,942	12,267
1946.....	39,296	55,232	-15,936				

\*500 thousand or less.

Data for 1789-1933 are for the administrative budget; data for 1934 and all following years are for the unified budget.

Beginning in 1937, includes amounts for social security trust funds that are off-budget. See table 23 for details.

In calendar year 1976, the Federal fiscal year was converted from a July 1-June 30 basis to an Oct. 1-Sept. 30 basis. The TQ refers to the transition quarter from July 1 to Sept. 30, 1976.



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PART I

DETAILED BUDGET ESTIMATES

Department of Defense—Military  
Department of Defense—Civil

Pages I-2 through I-6, I-G1 through I-G76, I-H1 and I-H11 through I-H15 have been extracted and reprinted in that order within.

The entire part may be referred to on pages I-1 through I-Z111 of "The Budget of the United States Government" (APPENDIX).

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I-1



## EXPLANATION OF ESTIMATES

Part I contains various tables and certain schedules in support of the budget, including explanatory statements of the work to be performed and the money needed, as well as the text of the language proposed for enactment by Congress on each item for which congressional action in an appropriation bill is required. It also contains the text of general provisions of appropriations acts, proposed for enactment by the Congress, that apply to entire agencies or groups of agencies.

### ARRANGEMENT

The chapters of Part I reflect the branches of Government, and the cabinet departments, selected independent agencies, and other activities of the executive branch. Most of the smaller agencies in the executive branch are grouped in one chapter—"Other independent agencies."

Each chapter is organized by major subordinate organizations within the agency (usually bureaus) or by major program area. For each bureau or major program area, *Federal funds*, covering the funds that are not set aside in "trust," precede *trust funds*, covering moneys that are held by the Government in accounts established by law or by trust agreement for specific purposes. Within each fund group, accounts with new budget authority in 1988 generally will precede those without such an entry. By law, the Old-Age and Survivors Insurance and Disability Insurance trust funds are outside the budget totals. In this volume, these accounts are presented in a separate chapter, Health and Human Services, Social Security.

The proposed language for *general provisions* of appropriations acts that are applicable to the agency in that chapter appear in a separate section at the end of the chapter. General provisions that apply to specified groups of agencies are placed in the chapter covering the first agency that appears in the respective appropriations act. The general provisions that are Government-wide in scope (identified "Departments, Agencies, and Corporations"), normally contained in the Treasury, Postal Service, and General Government Appropriations Act, are placed at the end of the Executive Office of the President chapter.

An explanation of the types of funds included in the budget may be found in Part 6b of *The Budget of the United States Government, 1988—Supplement*.

### FORM OF DETAILED MATERIAL

#### APPROPRIATIONS LANGUAGE

The language proposed for inclusion in the 1988 appropriations acts is printed following the account title. Language for 1987 appropriations, printed in roman type, is used as a base. All language for accounts receiving appropriations in 1987 is based on language, included in or enacted by reference in the continuing resolution for 1987 (Public Laws 99-500 and 99-591). Brackets enclose material that is proposed for deletion; italic

type indicates proposed new language. At the end of the final language paragraph, and printed in italics within parentheses, are citations to any relevant authorizing legislation and to the appropriations act from which the basic text of the 1987 language is taken. An illustration of proposed appropriations language for 1988 follows:

#### OPERATING EXPENSES

For necessary expenses of the Office of Climate Information, [\$29,440,000] \$28,920,000 of which [\$150,000] \$400,000 shall remain available until expended. (34 U.S.C. 218 et seq.; Department of Government Appropriation Act, 1987.)

#### BASIS FOR SCHEDULES

The 1986 column of this budget generally presents the actual transactions and balances for that year, as recorded in agency accounts.

For 1987, the regular schedules include enacted appropriations. In addition, indefinite appropriations are included on the basis of amounts likely to be required. Requests for supplemental appropriations, if any, to meet increased 1987 costs are included in Part II. Also included in Part II, in addition to proposed appropriation language and schedules for supplemental requests, are separate schedules for proposed rescissions, the language for which will be transmitted to the Congress in special messages.

The 1988 column of the regular schedules includes proposed appropriations for all programs under existing legislation, including those that require extension or renewal of expiring laws. The fourth column of schedules for accounts in the National Defense function (coded 050) and accounts with multiple functions (coded 999) with a National Defense component includes proposed appropriations for 1989. Appropriations for these accounts by law are requested on a biennial basis. Appropriations for 1989 and beyond may be requested for other accounts (see the "Budget by Agency and Account" in the Budget); however, a fourth column is not included in the Appendix for them in this budget.

Amounts for proposed new legislation are shown generally in separate schedules, following the regular schedules or in budget sequence in the respective bureau. These schedules are headed "Proposed for later transmittal under proposed legislation." Appropriation language is included with the regular schedules, but not with the separate schedules for proposed legislation. Necessary appropriations language will be transmitted later upon enactment of the proposed legislation. In some cases, when the amount requested in the budget is less than the amount required for the program level mandated in existing authorizing legislation (as in the case of certain entitlement programs), the reduced amount is reflected in the proposed appropriation language and the regular schedules. The proposed change in the authorizing legislation may be included in the appropriation language transmitted with the budget or in proposed legislation, to be transmitted separately. In



these cases, the words, "Legislative Action Required" appear at the end of the language.

#### PROGRAM AND FINANCING SCHEDULE

This schedule consists of three parts.

In the "Program by activities" section, obligations generally are shown for specific activities or projects. The activity structure is developed individually for each appropriation or fund account to provide a meaningful presentation of information for the program being financed. That structure is tailored to the individual account and is not uniform across the Government. When the amounts of obligations that are financed from collections credited to an account (reimbursements) are significant, "Reimbursable program" obligations are shown separately from "Direct program" obligations. When the amounts are significant, "Capital investments" are shown separately from "Operating expenses." The last entry "Total obligations," indicates the minimum amount of budgetary resources that must be available to the appropriation or fund account in that year.

The "Financing" section shows the budgetary resources available or estimated to be available to finance the total obligations. First are the amounts of offsetting collections credited to the account. Next are unobligated balances of budgetary resources (that have not expired) brought forward from the end of the prior year. Finally, those amounts that were available for obligation during the year and were not used, but continue to be available, are shown as an unobligated balance available, end of year. That balance is carried forward and usually obligated in a subsequent year. Other adjusting entries may be included. The residual is the new budget authority required to finance the program. Where more than one kind of budget authority is provided, that information is shown. In some cases, the availability of budgetary resources may be restrained by legally binding limitations on obligations for direct loans or for other purposes. Such limitations are usually included in appropriations language.

The "Relation of obligations to outlays" section shows the difference between obligations, which may not be liquidated in the same year in which they are incurred, and outlays. The entry "obligations incurred, net," shows the amount of new obligations incurred in the year, less offsetting collections credited to the account. The amount of obligations that were incurred in previous years but not liquidated, are entered as an obligated balance, start of year. Similarly, an end of year obligated balance is entered. Certain adjusting entries may be included. The residual is the net amount of outlays resulting from the liquidation of obligations incurred in that year and previous years.

The account identification code, found at the head of the program and financing schedule, facilitates computer processing of budgetary information. The last three digits of this code represent the functional category to which the account is classified. Functional classification permits presentation of budget authority and outlays in terms of their purpose, rather than the organization administering the program or the account under which these funds are made available. For example, the 452 at

the top of the following schedule indicates that the purpose of the program financed by this appropriation is *Area and regional development*—a subfunction within major function 450, *Community and regional development*. When the outlays from an account are split between two or more subfunctions within a single major function, the code of the major function is used. In those few cases where the outlays from an account are split between two or more functions, a code of 999 is used. A detailed discussion of how Federal programs are addressed to each identified national need is included in Part 5 of the 1988 Budget Supplement. The individual functional categories are identified with each appropriation or fund account in the "Budget by Agency and Account" in Part 4 of the Budget.

#### Program and Financing (in thousands of dollars)

Identification code 17-0643-0-1-452	1986 actual	1987 est.	1988 est.
<b>Program by activities:</b>			
Direct program:			
00.01 Information services.....	22,866	22,700	21,500
00.02 Meteorological research.....	4,780	4,900	4,900
00.03 Longitudinal weather studies.....	2,500	2,490	2,120
00.04 Construction.....		150	400
00.91 Total direct program.....	30,146	30,240	28,920
01.01 Reimbursable program.....	250	350	380
10.00 Total obligations.....	30,396	30,590	29,300
<b>Financing:</b>			
11.00 Offsetting collections from: Federal funds.....	-250	-350	-380
21.40 Unobligated balance available, start of year.....			-50
24.40 Unobligated balance available, end of year.....		50	
25.00 Unobligated balance lapsing.....	45		
40.00 Budget authority (appropriation).....	30,191	30,290	28,870
<b>Relation of obligations to outlays:</b>			
71.00 Obligations incurred, net.....	30,146	30,240	28,920
72.40 Obligated balance, start of year.....	1,364	1,120	1,246
74.40 Obligated balance, end of year.....	-1,120	-1,246	-1,275
90.00 Outlays.....	30,390	30,114	28,891

A schedule entitled "Summary of Budget Authority and Outlays" is shown immediately following the program and financing schedule and any associated notes for each account that includes separate program and financing schedules for program supplemental requests, requests for later transmittal under proposed or existing legislation, or rescission proposals.

#### NARRATIVE STATEMENT OF PROGRAM AND PERFORMANCE

Narrative statements present briefly the objectives of the program and the work to be financed primarily for 1988. Measures of expected performance may be included, and the relationship to the financial estimates is described.

#### SCHEDULE OF OBJECT CLASSIFICATION AND PERSONNEL SUMMARY

There is shown for each account a schedule of obligations, according to the following uniform list of object classifications:

10 PERSONAL SERVICES AND BENEFITS	13 Benefits for former personnel
11 Personnel compensation	20 CONTRACTUAL SERVICES AND SUPPLIES
12 Personnel benefits	



21 Travel and transportation of persons	31 ASSETS Equipment
22 Transportation of things	32 Lands and structures
23.1 Rental payment to GSA	33 Investments and loans
23.2 Rental payments to others	40 GRANTS AND FIXED CHARGES
23.3 Communications, utilities, and miscellaneous charges	41 Grants, subsidies, and contributions
24 Printing and reproduction	42 Insurance claims and indemnities
25 Other services	43 Interest and dividends
26 Supplies and materials	44 Refunds
30 ACQUISITION OF CAPITAL	

These object classes reflect the nature of the things or services purchased, regardless of the purpose of the program for which they are used.

Except for revolving funds, reimbursable obligations are aggregated in a single line and not identified by object class. Data, classified by object, are illustrated in the following schedule:

Object Classification (in thousands of dollars)			
Identification code	17-0643-0-1-452	1986 actual	1987 est. 1988 est.
Direct obligations:			
Personnel compensation:			
11.1	Full-time permanent	19,653	19,540 19,200
11.3	Other than full-time permanent	792	800 570
11.5	Other personnel compensation	231	169 190
11.9	Total personnel compensation	20,676	20,509 19,960
12.1	Personnel benefits: Civilian	1,940	1,899 1,887
21.0	Travel and transportation of persons	91	85 80
22.0	Transportation of things	17	18 17
23.1	Standard level user charges	1,680	1,752 1,790
23.3	Communications, utilities, and miscellaneous charges	1,759	1,580 1,675
24.0	Printing and reproduction	1,390	1,429 1,470
25.0	Other services	1,774	1,838 559
26.0	Supplies and materials	429	480 497
31.0	Equipment	390	500 585
32.0	Lands and structures		150 400
99.0	Subtotal, direct obligations	30,146	30,240 28,920
99.0	Reimbursable obligations	250	350 380
99.9	Total obligations	30,396	30,590 29,300

Several of the object classes are divided into sub-classes—personnel compensation, for example, is shown separately for full-time permanent employees, for other than full-time employees, and for certain other payments. Standard level user charges are rental payments assessed by the General Services Administration for space (leased and Government-owned) and building services.

When obligations for personnel compensation are shown in the object classification schedule, a personnel summary generally will follow the object classification schedule, as illustrated below:

Personnel Summary			
Direct:			
	Total number of full-time permanent positions	813	785 741
	Total compensable workyears:		
	Full-time equivalent employment	774	748 706
	Full-time equivalent of overtime and holiday hours	23	17 19
Reimbursable:			
	Total number of full-time permanent positions	9	13 14
	Total compensable workyears: Full-time equivalent employment	8	12 13

Control of Federal civilian employment generally is on a full-time equivalent (FTE) or workyear basis for the executive branch.

## BUSINESS-TYPE BUDGET STATEMENTS

Business-type budget statements are presented for activities specifically required by the Government Corporation Control Act or similar legislation and generally for other revolving and trust revolving funds conducting business with the public. They are not usually presented for funds conducting business within the Government.

### Statement of Revenue and Expense

For many revolving funds there is a statement of revenue and expense that shows the resulting net income or loss for the year. This statement usually includes accrued revenue (e.g., revenue earned) and accrued expenditures (e.g., including cost incurred but not yet paid), whether funded or unfunded.

#### Revenue and Expense (in thousands of dollars)

	1986 actual	1987 est.	1988 est.
Operating income:			
Revenue	23,625	27,950	34,980
Expense	-2,830	-3,700	-4,000
Net operating income, total	20,795	24,250	30,980
Nonoperating income: Interest from U.S. securities	8,092	9,874	12,791
Net income for the year	28,887	34,124	43,771

### Statement of Financial Condition

The statement of financial condition shows assets, liabilities, and Government equity for the fund at the close of each fiscal year. In addition to this information, which is similar to commercial balance sheet data, budget needs also require additional information, shown in the equity section. A disclosure is made of obligations incurred that have not yet accrued into liabilities (undelivered orders) and of budgetary resources for which no funding has been received (unfinanced budgetary resources). Unfinanced budgetary resources include orders from Federal customers that have not been filled (unfilled orders), and unfinanced budget authority in the form of authority to borrow for which borrowing has not taken place, and contract authority for which liquidating cash has not been received. Orders received from the public must be accompanied by advance payment.

The last section of the balance sheet is an "Analysis of Changes in Government Equity." This section sets forth for paid-in capital and retained income, as appropriate, the beginning balance, transactions (changes) during the year, and the balance at the end of the year.

#### Financial Condition (in thousands of dollars)

	1985 actual	1986 actual	1987 est.	1988 est.
Assets:				
Fund balance with Treasury	1,214	350	550	450
U.S. securities (par)	98,174	129,969	170,769	218,169
Accounts receivable (net)	5,546	5,737	7,365	9,106
Loans receivable (net)	6,901	4,059	6,415	8,715
Total assets	111,835	140,115	185,909	236,440
Liabilities:				
Accounts payable and accrued liabilities	1,941	1,162	862	862
Advances received	21,656	21,828	32,988	40,558
Total liabilities	23,597	22,990	33,850	41,420



<b>Government equity:</b>				
Unexpended balances:				
Unobligated balance.....	81,051	112,491	144,486	186,702
Undelivered orders.....	280	569	348	603
Unfinanced budget authority: Unfilled customer orders.....	-1,340	-896	-1,205	-1,536
Invested capital.....	8,247	4,961	7,620	9,251
<b>Total Government equity.....</b>	<b>88,238</b>	<b>117,125</b>	<b>151,249</b>	<b>195,020</b>
<b>Analysis of changes in Government equity:</b>				
Retained income:				
Opening balance.....	88,238	117,125	151,249	
Transactions:				
Net operating income.....	20,795	24,250	30,980	
Net nonoperating income.....	8,092	9,874	12,791	
Closing balance.....	117,125	151,249	195,020	
<b>Total Government equity (end of year).....</b>	<b>117,125</b>	<b>151,249</b>	<b>195,020</b>	

## FEDERAL CREDIT SCHEDULES

As part of an effort to establish systematic control of the levels of Federal credit during any fiscal year, the budget appendix includes annual limitations on the amount of obligations for direct loans and commitments for guaranteed loans in appropriations language for appropriations or funds with credit activity. For those accounts under which Federal credit is extended, schedules for the status of direct loans and the status of guaranteed loans summarize activity for the years shown.

## Status of Direct Loans

A direct loan obligation is a legal or binding agreement that results in: (1) a disbursement of funds to a non-Federal entity by a Federal agency (including the Federal Financing Bank on behalf of a Federal agency) that is contracted to be repaid, with or without interest; (2) a purchase of non-Federal loans by a Federal agency through secondary market operations; (3) an acquisition of guaranteed non-Federal loans by a Federal agency in satisfaction of default or other guarantee claims; or (4) a sale of Federal agency assets to a non-Federal entity on credit terms of more than 90 days duration.

A direct loan obligation is counted against the annual limitation when the principal amount is obligated. Limitations apply to the gross obligations for direct loans, which means the amount obligated during a fiscal year, without reductions for such items as repayments, prepayments, sale of loan assets, defaults, or forgiveness.

For each appropriation or fund with direct loan activity, a schedule is displayed immediately following the program and financing schedule as follows:

## Status of Direct Loans (in thousands of dollars)

Identification code	17-4023-0-3-453	1986 actual	1987 est.	1988 est.
<b>Position with respect to appropriations act limitation on obligations:</b>				
1111	Limitation on direct loans to the public.....	19,700	14,000	14,000
1112	Unused expiring balance of limitation.....	-1,000		
1132	Obligations exempt from limitation: Defaulted guaranteed loan claims.....	5,000	3,000	2,000
1150	<b>Total direct loan obligations.....</b>	<b>23,700</b>	<b>17,000</b>	<b>16,000</b>

<b>Cumulative balance of direct loans outstanding:</b>				
1210	Outstanding, start of year.....	58,430	66,239	65,789
<b>Disbursements:</b>				
1231	Direct loan disbursements.....	18,700	14,000	14,000
1232	Disbursements for guarantee claims.....	5,000	3,000	2,000
<b>Repayments:</b>				
1251	Repayments and prepayments.....	-15,475	-16,500	-15,000
1252	Repayments of defaulted guaranteed loans.....	-150	-150	-150
<b>Adjustments:</b>				
1262	Write-offs for default.....	-1,000	-800	-600
1264	Other adjustments, net. <sup>1</sup> .....	734		
1290	<b>Outstanding, end of year.....</b>	<b>66,239</b>	<b>65,789</b>	<b>66,039</b>

<sup>1</sup> Represents an adjustment to the prior year balance of direct loans outstanding.

## Status of Guaranteed Loans

A guaranteed loan commitment is a legal or binding agreement that results in: (1) a non-Federal debt instrument on which the agency pledges to pay part or all of the amount due to a lender or holder in the event of default by the borrower; and (2) a direct Federal loan that an agency has sold to the public under a guarantee, agreement to repurchase, or other form of recourse. Beginning in 1987, direct loan assets that are sold with recourse are treated as agency borrowing. Agency guarantees that result in loans that are disbursed by the FFB are counted as *direct loans* of the agency and, therefore, will not be counted as guaranteed loans. However, the amount of direct loans made in this manner is subject to limitations on loan guarantee commitments of the originating agency. Loan guarantees include agreements in the form of loan insurance, defined as a type of guarantee in which an agency pledges the use of accumulated insurance premiums to secure lenders against default on the part of borrowers.

A guaranteed loan is counted against the annual limitation when a firm commitment is made, i.e., when the Government enters into a guarantee agreement to become effective at such time as the lender meets stipulated pre-conditions. A commitment is reported for every guaranteed loan, even though the commitment and the actual loan guarantee may occur simultaneously. Amounts for limitations and in the schedules are the full principal amounts of loans guaranteed whether guaranteed in full or in part. The amount of the Government's contingent liability is shown as a memorandum entry in the schedule. Limitations apply to the gross commitments for guaranteed loans, which means the amount committed during a fiscal year, without reductions for such items as repayments, prepayments, sale of guaranteed loans, or defaults.

For each appropriation or fund account with guaranteed loan activity, a schedule is displayed following the program and financing schedule (or status of direct loans schedule, if there is one) as follows:

## Status of Guaranteed Loans (in thousands of dollars)

Identification code	17-4023-0-3-453	1986 actual	1987 est.	1988 est.
<b>Position with respect to appropriations act limitation on commitments:</b>				
2111	Limitation on guaranteed loans made by private lenders.....	300,000	200,000	200,000
2112	Unused expiring balance on limitation.....	-120,000		
2150	<b>Total, guaranteed loan commitments.....</b>	<b>180,000</b>	<b>200,000</b>	<b>200,000</b>



## Status of Guaranteed Loans (in thousands of dollars)—Continued

Identification code 17-4023-0-3-453		1986 actual	1987 est.	1988 est.
<b>Cumulative balance of guaranteed loans outstanding:</b>				
2210	Outstanding, start of year .....	965,752	920,736	933,336
2231	Disbursements of new guaranteed loans .....	158,600	170,000	170,000
2251	Repayments and prepayments .....	-208,616	-200,000	-200,000
Adjustments:				
2261	Terminations for default that result in direct loans .....	5,000	-3,000	-2,000
2264	Other adjustments, net .....		45,600	
2290	Outstanding, end of year .....	920,736	933,336	901,336
<b>MEMORANDUM</b>				
2299	U.S. contingent liability for guaranteed loans outstanding end of year .....	920,736	933,336	901,336

## BUDGETS NOT SUBJECT TO REVIEW

In accordance with law or established practice, the presentations for the Legislative Branch, the Judiciary, the Federal Deposit Insurance Corporation, the Milk Market Orders Assessment Fund of the Department of Agriculture, the Farm Credit Administration, and the International Trade Commission have been included, without review, in the amounts submitted by the agencies.

The budgets of the privately owned Government-sponsored enterprises and the Board of Governors of the Federal Reserve System, presented in Part IV, are not subject to review; they are included for information purposes only.



# DEPARTMENT OF DEFENSE—MILITARY

## MILITARY PERSONNEL

### ACTIVE FORCES

These appropriations finance the personnel costs of the active duty forces of the Army, Navy, Marine Corps, and Air Force. Changes in financial requirements are primarily related to military personnel strengths. In addition, these appropriations finance the future retirement benefits of the current active forces. While most of the entitlements financed by these appropriations are set by statute, the estimates reflect continuing efforts to improve management including implementation of audit recommendations, improved management of military travel, and prudent use of subsistence, bonus programs, and other pay programs.

The numbers of active duty military personnel provided for are shown in the following table:

	YEAREND NUMBER			
	1986 actual	1987 est.	1988 est.	1989 est.
Defense total.....	2,169,112	2,174,250	2,172,400	2,184,400
Officers.....	311,055	313,110	313,828	315,099
Enlisted.....	1,844,338	1,847,648	1,845,080	1,855,809
Academy cadets and midshipmen.....	13,719	13,492	13,492	13,492
Army.....	780,980	780,800	780,900	780,900
Officers.....	109,757	109,757	109,757	109,757
Enlisted.....	666,668	666,493	666,593	666,593
Military Academy cadets.....	4,555	4,550	4,550	4,550
Navy.....	581,119	587,000	593,200	602,800
Officers.....	72,051	73,627	74,700	75,427
Enlisted.....	504,389	508,848	513,975	522,848
Naval Academy midshipmen.....	4,679	4,525	4,525	4,525
Marine Corps.....	198,814	199,600	199,600	200,100
Officers.....	20,199	20,280	20,300	20,300
Enlisted.....	178,615	179,320	179,300	179,800
Air Force.....	608,199	606,850	598,700	600,600
Officers.....	109,048	109,446	109,071	109,615
Enlisted.....	494,666	492,987	485,212	486,568
Air Force Academy cadets.....	4,485	4,417	4,417	4,417
	AVERAGE NUMBER			
	1986 actual	1987 est.	1988 est.	1989 est.
Defense total.....	2,154,219	2,165,600	2,172,960	2,178,112
Officers.....	310,008	311,430	313,826	314,889
Enlisted.....	1,831,052	1,841,103	1,846,127	1,850,204
Academy cadets and midshipmen.....	13,159	13,067	13,007	13,019
Army.....	778,049	776,904	780,468	780,950
Officers.....	109,638	109,791	109,605	109,605
Enlisted.....	664,102	662,822	666,558	667,040
Military Academy cadets.....	4,309	4,291	4,305	4,305
Navy.....	572,496	581,724	588,287	595,708
Officers.....	71,283	72,307	74,044	75,021
Enlisted.....	496,763	504,967	509,850	516,311
Naval Academy midshipmen.....	4,450	4,450	4,393	4,376
Marine Corps.....	196,986	198,615	199,371	199,721
Officers.....	20,098	20,108	20,211	20,215
Enlisted.....	176,888	178,507	179,160	179,506

Air Force.....	606,688	608,357	604,834	601,733
Officers.....	108,989	109,224	109,966	110,048
Enlisted.....	493,299	494,807	490,559	487,347
Air Force Academy cadets.....	4,400	4,326	4,309	4,338

### Federal Funds

#### General and special funds:

#### MILITARY PERSONNEL, ARMY\*

\*See Part II for additional information.

For pay, allowances, individual clothing, subsistence, interest on deposits, gratuities, permanent change of station travel (including all expenses thereof for organizational movements), and expenses of temporary duty travel between permanent duty stations, for members of the Army on active duty (except members of reserve components provided for elsewhere), cadets, and aviation cadets; and for payments pursuant to section 156 of Public Law 97-377, as amended (42 U.S.C. 402 note), to section 229(b) of the Social Security Act (42 U.S.C. 429(b)), and to the Department of Defense Military Retirement Fund; [\$22,353,990,000] \$23,681,200,000.

Further, for the foregoing purposes, \$23,676,400,000, to become available for obligation on October 1, 1988. (10 U.S.C. 701-04, 744, 956, 1035, 1037, 1047-49, 1212, 1475-80, 2389, 2421, 2634, 3687, 4561, 4562, 4741; chapters 3, 5, 7, and 9 of title 37, United States Code; Department of Defense Appropriations Act, 1987, as included in Public Laws 99-500 and 99-591, section 101(c); additional authorizing legislation to be proposed.)

#### Program and Financing (in thousands of dollars)

Identification code	21-2010-0-1-051	1986 actual	1987 est.	1988 est.	1989 est.
<b>Program by activities:</b>					
Direct program:					
00.01	Pay and allowances of officers.....	5,688,831	5,904,919	5,999,977	5,978,662
00.02	Pay and allowances of enlisted personnel.....	14,421,334	14,856,235	15,381,460	15,345,034
00.03	Pay and allowances of cadets.....	32,547	33,138	33,531	33,538
00.04	Subsistence of enlisted personnel.....	1,046,964	1,092,759	1,168,456	1,213,896
00.05	Permanent change of station travel.....	949,920	927,397	959,127	991,051
00.06	Other military personnel costs.....	214,514	162,405	138,649	114,219
00.91	Total direct program.....	22,354,110	22,976,853	23,681,200	23,676,400
01.01	Reimbursable program.....	167,308	177,094	182,819	184,944
10.00	Total obligations.....	22,521,418	23,153,947	23,864,019	23,861,344
<b>Financing:</b>					
Offsetting collections from:					
11.00	Federal funds.....	-56,194	-59,294	-61,127	-61,817
13.00	Trust funds.....	-52,329	-53,765	-55,433	-56,053
14.00	Non-Federal sources.....	-58,785	-64,035	-66,259	-67,074
22.40	Unobligated balance transferred, net.....	-1,265,917			
25.00	Unobligated balance lapsing.....	3,695			
39.00	Budget authority.....	21,091,888	22,976,853	23,681,200	23,676,400
Budget authority:					
40.00	Appropriation.....	21,003,688	22,353,990	23,681,200	23,676,400
40.00	Increase pursuant to P.L. 99-500.....		173,000		
42.00	Transferred from other accounts.....	88,200	449,863		
43.00	Appropriation (adjusted).....	21,091,888	22,976,853	23,681,200	23,676,400
Relation of obligations to outlays:					
71.00	Obligations incurred, net.....	22,354,110	22,976,853	23,681,200	23,676,400
72.40	Obligated balance, start of year.....	211,779	201,316	1,156,358	1,254,858
74.40	Obligated balance, end of year.....	-201,316	-1,156,358	-1,254,858	-1,314,758

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## General and special funds—Continued

## MILITARY PERSONNEL, ARMY—Continued

## Program and Financing (in thousands of dollars)—Continued

Identification code	21-2010-0-1-051	1986 actual	1987 est.	1988 est.	1989 est.
77.00	Adjustments in expired accounts.....	—19,764			
90.00	Outlays.....	22,344,810	22,021,811	23,582,700	23,616,500

## SUMMARY OF BUDGET AUTHORITY AND OUTLAYS

(In thousands of dollars)

Enacted/requested:	1986 actual	1987 est.	1988 est.	1989 est.
Budget authority.....	21,091,888	22,976,853	23,681,200	23,676,400
Outlays.....	22,344,810	22,021,811	23,582,700	23,616,500
Supplemental under existing legislation:				
Budget authority.....		187,089		
Outlays.....		187,089		
Total:				
Budget authority.....	21,091,888	23,163,942	23,681,200	23,676,400
Outlays.....	22,344,810	22,208,900	23,582,700	23,616,500

## Object Classification (in thousands of dollars)

Identification code	21-2010-0-1-051	1986 actual	1987 est.	1988 est.	1989 est.
Direct obligations:					
Personnel compensation:					
11.7	Military personnel.....	13,575,637	14,291,076	14,580,816	14,569,445
11.8	Special personal services payments....	315	318	318	318
11.9	Total personnel compensation .....	13,575,952	14,291,394	14,581,134	14,569,763
Personnel benefits: Military personnel:					
12.2	Accrued retirement benefits.....	5,453,310	5,888,832	5,882,724	5,780,467
12.2	Other personnel benefits.....	2,036,766	1,419,925	1,761,920	1,778,808
13.0	Benefits for former personnel.....	69,152	86,922	83,500	86,100
21.0	Travel and transportation of persons.....	328,447	347,450	341,259	349,493
22.0	Transportation of things.....	500,584	492,316	511,425	531,760
25.0	Other services: Contracts.....	41,779	41,649	43,727	46,223
26.0	Supplies and materials.....	344,952	406,001	473,006	531,278
42.0	Insurance claims and indemnities.....	3,168	2,364	2,505	2,508
99.0	Subtotal, direct obligations.....	22,354,110	22,976,853	23,681,200	23,676,400
99.0	Reimbursable obligations.....	167,308	177,094	182,819	184,944
99.9	Total obligations.....	22,521,418	23,153,947	23,864,019	23,861,344

## MILITARY PERSONNEL, NAVY\*

\*See Part II for additional information.

For pay, allowances, individual clothing, subsistence, interest on deposits, gratuities, permanent change of station travel (including all expenses thereof for organizational movements), and expenses of temporary duty travel between permanent duty stations, for members of the Navy on active duty (except members of the Reserve provided for elsewhere), midshipmen, and aviation cadets; and for payments pursuant to section 156 of Public Law 97-377, as amended (42 U.S.C. 402 note), to section 229(b) of the Social Security Act (42 U.S.C. 429(b)), and to the Department of Defense Military Retirement Fund; **[\$17,104,850,000] \$18,259,100,000.**

Further, for the foregoing purposes, **\$18,447,300,000**, to become available for obligation on October 1, 1988. (10 U.S.C. 600, 683-4, 701-4, 744, 956, 1035, 1037, 1047-49, 1212, 1475-80, 2421, 2634, 5413-14, 5441-42, 5444, 5446, 5450-51, 5454, 5501, 5503, 6081-86, 6221, 6911-12, 6960, 6969; 26 U.S.C. 3121; chapters 3, 5, 7, 9, and 10 of title 37, United States Code; Department of Defense Appropriations Act, 1987, as included in Public Laws 99-500 and 99-591, section 101(c); additional authorizing legislation to be proposed.)

## Program and Financing (in thousands of dollars)

Identification code	17-1453-0-1-051	1986 actual	1987 est.	1988 est.	1989 est.
Program by activities:					
Direct program:					
00.01	Pay and allowances of officers .....	3,944,137	4,133,343	4,283,399	4,322,036
00.02	Pay and allowances of enlisted personnel .....	11,502,141	12,034,494	12,567,040	12,697,792

00.03 Pay and allowances of cadets.....	34,509	36,837	38,054	38,010
00.04 Subsistence of enlisted personnel.....	731,322	767,123	789,405	811,163
00.05 Permanent change of station travel.....	566,355	532,864	534,719	538,004
00.06 Other military personnel costs.....	38,260	45,736	46,483	40,295
00.91 Total direct program.....	16,816,724	17,550,397	18,259,100	18,447,300
01.01 Reimbursable program.....	119,541	127,000	127,500	128,000
10.00 Total obligations.....	16,936,265	17,677,397	18,386,600	18,575,300

## Financing:

Offsetting collections from:				
11.00 Federal funds.....	—51,596	—54,813	—55,028	—55,245
13.00 Trust funds.....	—24,316	—25,832	—25,934	—26,035
14.00 Non-Federal sources.....	—43,629	—46,355	—46,538	—46,720
22.40 Unobligated balance transferred, net.....	—945,582			
25.00 Unobligated balance lapsing.....	4,104			
39.00 Budget authority.....	15,875,246	17,550,397	18,259,100	18,447,300
Budget authority:				
40.00 Appropriation.....	15,875,246	17,104,850	18,259,100	18,447,300
40.00 Increase pursuant to P.L. 99-500.....		128,000		
42.00 Transferred from other accounts.....		317,547		
43.00 Appropriation (adjusted).....	15,875,246	17,550,397	18,259,100	18,447,300

## Relation of obligations to outlays:

71.00 Obligations incurred, net.....	16,816,724	17,550,397	18,259,100	18,447,300
72.40 Obligated balance, start of year.....	194,746	70,026	1,097,076	1,218,076
74.40 Obligated balance, end of year.....	—70,026	—1,097,076	—1,218,076	—1,305,376
77.00 Adjustments in expired accounts.....	—79,433			
90.00 Outlays.....	16,862,010	16,523,347	18,138,100	18,360,000

## SUMMARY OF BUDGET AUTHORITY AND OUTLAYS

(In thousands of dollars)

Enacted/requested:	1986 actual	1987 est.	1988 est.	1989 est.
Budget authority.....	15,875,246	17,550,397	18,259,100	18,447,300
Outlays.....	16,862,010	16,523,347	18,138,100	18,360,000
Supplemental under existing legislation:				
Budget authority.....		62,953		
Outlays.....		62,953		
Total:				
Budget authority.....	15,875,246	17,613,350	18,259,100	18,447,300
Outlays.....	16,862,010	16,586,300	18,138,100	18,360,000

## Object Classification (in thousands of dollars)

Identification code	17-1453-0-1-051	1986 actual	1987 est.	1988 est.	1989 est.
Direct obligations:					
Personnel compensation:					
11.7	Military personnel .....	10,923,612	11,284,601	11,635,432	11,798,772
11.8	Special personal services payments .....	191	160	166	172
11.9	Total personnel compensation .....	10,923,803	11,284,761	11,635,598	11,798,944
Personnel benefits: Military personnel:					
12.2	Accrued retirement benefits .....	3,964,374	4,336,408	4,375,129	4,348,534
12.2	Other personnel benefits .....	1,061,466	1,075,489	1,377,030	1,397,191
13.0	Benefits for former personnel .....	34,880	33,880	35,800	35,400
21.0	Travel and transportation of persons .....	187,325	167,036	167,103	169,455
22.0	Transportation of things .....	326,757	326,561	323,069	325,137
25.0	Other services: Other .....	15,622	15,387	15,552	15,576
26.0	Supplies and materials .....	300,850	309,126	328,055	355,272
42.0	Insurance claims and indemnities .....	1,647	1,749	1,764	1,791
99.0	Subtotal, direct obligations .....	16,816,724	17,550,397	18,259,100	18,447,300
99.0	Reimbursable obligations .....	119,541	127,000	127,500	128,000
99.9	Total obligations .....	16,936,265	17,677,397	18,386,600	18,575,300

## MILITARY PERSONNEL, MARINE CORPS\*

\*See Part II for additional information.

For pay, allowances, individual clothing, subsistence, interest on deposits, gratuities, permanent change of station travel (including all



expenses thereof for organizational movements), and expenses of temporary duty travel between permanent duty stations, for members of the Marine Corps on active duty (except members of the Reserve provided for elsewhere); and for payments pursuant to section 156 of Public Law 97-377, as amended (42 U.S.C. 402 note), to section 229(b) of the Social Security Act (42 U.S.C. 429(b)), and to the Department of Defense Military Retirement Fund; **[\$5,266,053,000] \$5,549,000,000.**

Further, for the foregoing purposes, **\$5,534,300,000**, to become available for obligation on October 1, 1988. (10 U.S.C. 956, 1035, 1047-49, 1475-80, 2634, 5413-14, 5441, 5443, 5446, 5451, 5454, 5456, 5458, 5502-03, 6032, 6081-86, 6148, 6222; 12 U.S.C. 1715m; chapters 3, 5, 7, and 9 of title 37, United States Code; 41 U.S.C. 1594d; Department of Defense Appropriations Act, 1987, as included in Public Laws 99-500 and 99-591, section 101(c); additional authorizing legislation to be proposed.)

## Program and Financing (in thousands of dollars)

Identification code	17-1105-0-1-051	1986 actual	1987 est.	1988 est.	1989 est.
<b>Program by activities:</b>					
Direct program:					
00.01	Pay and allowances of officers .....	1,054,383	1,091,038	1,108,111	1,103,911
00.02	Pay and allowances of enlisted personnel .....	3,655,827	3,843,286	3,960,167	3,953,513
00.04	Subsistence of enlisted personnel .....	248,165	261,497	263,343	267,235
00.05	Permanent change of station travel .....	184,258	193,819	197,665	191,565
00.06	Other military personnel costs .....	18,450	17,413	19,714	18,076
00.91	Total direct program .....	5,161,083	5,407,053	5,549,000	5,534,300
01.01	Reimbursable program .....	16,538	17,611	18,143	18,550
10.00	Total obligations .....	5,177,621	5,424,664	5,567,143	5,552,850
<b>Financing:</b>					
Offsetting collections from:					
11.00	Federal funds .....	-12,059	-11,711	-12,006	-12,187
13.00	Trust funds .....	-467	-240	-240	-240
14.00	Non-Federal sources .....	-4,012	-5,660	-5,897	-6,123
22.40	Unobligated balance transferred, net .....	-286,020			
25.00	Unobligated balance lapsing .....	421			
39.00	Budget authority .....	4,875,484	5,407,053	5,549,000	5,534,300
Budget authority:					
40.00	Appropriation .....	4,853,944	5,266,053	5,549,000	5,534,300
40.00	Increase pursuant to P.L. 99-500 .....		40,000		
42.00	Transferred from other accounts .....	21,540	101,000		
43.00	Appropriation (adjusted) .....	4,875,484	5,407,053	5,549,000	5,534,300
Relation of obligations to outlays:					
71.00	Obligations incurred, net .....	5,161,083	5,407,053	5,549,000	5,534,300
72.40	Obligated balance, start of year .....	104,896	95,841	327,814	398,614
74.40	Obligated balance, end of year .....	-95,841	-327,814	-398,614	-461,014
77.00	Adjustments in expired accounts .....	-27,119			
90.00	Outlays .....	5,143,019	5,175,080	5,478,200	5,471,900

## SUMMARY OF BUDGET AUTHORITY AND OUTLAYS

(In thousands of dollars)

Enacted/requested:	1986 actual	1987 est.	1988 est.	1989 est.
Budget authority .....	4,875,484	5,407,053	5,549,000	5,534,300
Outlays .....	5,143,019	5,175,080	5,478,200	5,471,900
Supplemental under existing legislation:				
Budget authority .....		39,820		
Outlays .....		39,820		
Total:				
Budget authority .....	4,875,484	5,446,873	5,549,000	5,534,300
Outlays .....	5,143,019	5,214,900	5,478,200	5,471,900

## Object Classification (in thousands of dollars)

Identification code	17-1105-0-1-051	1986 actual	1987 est.	1988 est.	1989 est.
Direct obligations:					
Personnel compensation:					
11.7	Military personnel .....	3,394,820	3,513,042	3,580,740	3,591,211
11.8	Special personal services payments .....	72	300	300	300
11.9	Total personnel compensation .....	3,394,892	3,513,342	3,581,040	3,591,511
Personnel benefits: Military personnel:					
12.2	Accrued retirement benefits .....	1,263,003	1,382,508	1,371,435	1,350,104

12.2	Other personnel benefits .....	225,021	211,869	291,979	295,377
13.0	Benefits for former personnel .....	16,718	15,600	17,800	16,100
21.0	Travel and transportation of persons .....	76,135	75,073	74,663	70,157
22.0	Transportation of things .....	95,053	107,150	110,450	109,007
25.0	Other services: Purchases from industrial funds .....	4,012	4,671	4,545	4,554
26.0	Supplies and materials .....	85,546	96,084	96,305	96,680
42.0	Insurance claims and indemnities .....	703	756	783	810
99.0	Subtotal, direct obligations .....	5,151,083	5,407,053	5,549,000	5,534,300
99.0	Reimbursable obligations .....	16,538	17,611	18,143	18,550
99.9	Total obligations .....	5,177,621	5,424,664	5,567,143	5,552,850

## MILITARY PERSONNEL, AIR FORCE\*

\*See Part II for additional information.

For pay, allowances, individual clothing, subsistence, interest on deposits, gratuities, permanent change of station travel (including all expenses thereof for organizational movements), and expenses of temporary duty travel between permanent duty stations, for members of the Air Force on active duty (except members of reserve components provided for elsewhere), cadets, and aviation cadets; and for payments pursuant to section 156 of Public Law 97-377, as amended (42 U.S.C. 402 note), to section 229(b) of the Social Security Act (42 U.S.C. 429(b)), and to the Department of Defense Military Retirement Fund; **[\$18,940,731,000] \$19,908,200,000.**

Further, for the foregoing purposes, **\$19,871,300,000**, to become available for obligation on October 1, 1988. (10 U.S.C. 503, 504-09, 518-19, 600, 683-84, 687, 701-04, 744, 956, 1035-37, 1047-49, 1211-12, 1331, 1475-80, 2632, 2634, 8033, 8036, 8066, 8201-15, 8281, 8284-89, 8293-8303, 8305-10, 8312-13, 8441-49, 8451-52, 8491, 8494-8504, 8531, 8687, 8722, 9306, 9331-37, 9341-55, 9441, 9561-63, 9741-43; 12 U.S.C. 1715m; 33 U.S.C. 855, 858; chapters 3, 5, 7, 9, 10, and 11, of title 37, United States Code; 49 U.S.C. 1657; Department of Defense Appropriations Act, 1987, as included in Public Laws 99-500 and 99-591, section 101(c); additional authorizing legislation to be proposed.)

## Program and Financing (in thousands of dollars)

Identification code	57-3500-0-1-051	1986 actual	1987 est.	1988 est.	1989 est.
<b>Program by activities:</b>					
Direct program:					
00.01	Pay and allowances of officers .....	5,935,648	6,155,072	6,305,879	6,320,361
00.02	Pay and allowances of enlisted personnel .....	11,136,213	11,543,516	11,791,643	11,731,086
00.03	Pay and allowances of cadets .....	33,600	33,536	33,749	33,867
00.04	Subsistence of enlisted personnel .....	840,030	861,542	868,866	862,188
00.05	Permanent change of station travel .....	882,000	823,009	866,669	884,696
00.06	Other military personnel costs .....	35,700	41,083	41,394	39,102
00.91	Total direct program .....	18,863,191	19,457,758	19,908,200	19,871,300
01.01	Reimbursable program .....	167,442	168,787	171,643	168,096
10.00	Total obligations .....	19,030,633	19,626,545	20,079,843	20,039,396
<b>Financing:</b>					
Offsetting collections from:					
11.00	Federal funds .....	-26,066	-33,757	-34,329	-33,619
13.00	Trust funds .....	-97,891	-91,145	-92,687	-90,772
14.00	Non-Federal sources .....	-43,485	-43,885	-44,627	-43,705
22.40	Unobligated balance transferred, net .....	-1,134,974			
39.00	Budget authority .....	17,728,217	19,457,758	19,908,200	19,871,300
Budget authority:					
40.00	Appropriation .....	17,698,217	18,940,731	19,908,200	19,871,300
40.00	Increase pursuant to P.L. 99-500 .....		148,000		
42.00	Transferred from other accounts .....	30,000	369,027		
43.00	Appropriation (adjusted) .....	17,728,217	19,457,758	19,908,200	19,871,300
Relation of obligations to outlays:					
71.00	Obligations incurred, net .....	18,863,191	19,457,758	19,908,200	19,871,300
72.40	Obligated balance, start of year .....	185,735	174,476	998,207	1,105,907
74.40	Obligated balance, end of year .....	-174,476	-998,207	-1,105,907	-1,188,607



## General and special funds—Continued

## MILITARY PERSONNEL, AIR FORCE—Continued

## Program and Financing (in thousands of dollars)—Continued

Identification code	57-3500-0-1-051	1986 actual	1987 est.	1988 est.	1989 est.
77.00	Adjustments in expired accounts.....	-85,579			
90.00	Outlays.....	18,788,871	18,634,027	19,800,500	19,788,600

## SUMMARY OF BUDGET AUTHORITY AND OUTLAYS

(In thousands of dollars)

Enacted/requested:	1986 actual	1987 est.	1988 est.	1989 est.
Budget authority.....	17,728,217	19,457,758	19,908,200	19,871,300
Outlays.....	18,788,871	18,634,027	19,800,500	19,788,600
Supplemental under existing legislation:				
Budget authority.....		140,273		
Outlays.....		140,273		
Total:				
Budget authority.....	17,728,217	19,598,031	19,908,200	19,871,300
Outlays.....	18,788,871	18,774,300	19,800,500	19,788,600

## Object Classification (in thousands of dollars)

Identification code	57-3500-0-1-051	1986 actual	1987 est.	1988 est.	1989 est.
Direct obligations:					
11.7 Personnel compensation: Military personnel.....		12,098,060	12,323,089	12,599,130	12,655,116
Personnel benefits: Military personnel:					
12.2 Accrued retirement benefits.....		4,616,380	5,018,605	4,973,275	4,863,779
12.2 Other personnel benefits.....		1,149,643	1,173,647	1,344,051	1,343,875
13.0 Benefits for former personnel.....		34,255	39,469	39,869	37,569
21.0 Travel and transportation of persons.....		213,143	236,869	265,355	270,232
22.0 Transportation of things.....		599,465	519,318	514,265	526,496
25.0 Other services: Purchases from industrial funds.....		32,352	30,706	31,753	31,939
26.0 Supplies and materials.....		117,990	112,855	139,095	139,181
42.0 Insurance claims and indemnities.....		1,903	3,200	1,407	3,113
99.0 Subtotal, direct obligations.....		18,863,191	19,457,758	19,908,200	19,871,300
99.0 Reimbursable obligations.....		167,442	168,787	171,643	168,096
99.9 Total obligations.....		19,030,633	19,626,545	20,079,843	20,039,396

## RESERVE FORCES

These appropriations finance the personnel costs of the National Guard and Reserve forces, including the future retirement benefits of the current Reserve forces. The estimates reflect continuing efforts to improve management efficiency including, for example, more economical use of training and recruiting resources as well as the undertaking of active missions at lower costs.

The number of National Guard and Reserve personnel estimated to participate in the paid training programs and the number of full-time active duty military personnel provided for are summarized in the following table:

## YEAREND NUMBER

	1986 actual	1987 est.	1988 est.	1989 est.
Defense total.....	1,130,100	1,157,336	1,190,300	1,213,400
Trained inactive duty.....	1,016,504	1,048,237	1,072,666	1,087,068
Initial active duty for training.....	50,078	40,115	43,900	48,023
Full-time active duty.....	63,518	68,984	73,734	78,309
Army Reserve.....	309,709	319,378	330,400	339,100
Trained inactive duty.....	278,951	296,823	304,063	307,555
Initial active duty for training.....	18,599	10,148	12,087	15,545
Full-time active duty.....	12,159	12,407	14,250	16,000
Navy Reserve.....	141,504	149,486	157,400	161,700
Trained inactive duty.....	117,205	124,194	130,431	133,446

Initial active duty for training.....	5,908	3,816	4,464	4,589
Full-time active duty.....	18,391	21,476	22,505	23,665
Marine Corps Reserve.....	41,582	42,800	43,700	44,500
Trained inactive duty.....	36,389	37,162	37,877	38,498
Initial active duty for training.....	3,715	3,893	3,808	3,717
Full-time active duty.....	1,478	1,745	2,015	2,285
Air Force Reserve.....	78,519	79,562	83,300	85,500
Trained inactive duty.....	75,733	77,100	80,523	82,468
Initial active duty for training.....	2,174	1,797	2,108	2,363
Full-time active duty.....	612	665	669	669
Army National Guard.....	446,194	452,681	458,800	464,900
Trained inactive duty.....	406,335	410,760	414,578	418,973
Initial active duty for training.....	16,079	16,861	17,833	18,209
Full-time active duty.....	23,780	25,060	26,389	27,718
Air National Guard.....	112,592	113,429	116,700	117,700
Trained inactive duty.....	101,891	102,198	105,194	106,128
Initial active duty for training.....	3,603	3,600	3,600	3,600
Full-time active duty.....	7,098	7,631	7,906	7,972

The Reserve Officers' Training Corps program provides training for reserve and regular officer candidates who have enrolled in the course while attending a college at which an ROTC unit has been established. College graduates who satisfactorily complete the advanced course of the program are commissioned and are ordinarily ordered to active duty for a minimum of 3 years.

The Reserve Officers' Training Corps Vitalization Act of 1964, as amended, authorizes a limited number of scholarships for ROTC students on a competitive basis. Successful candidates for the scholarships generally serve a minimum period of 4 years on active duty upon graduation and appointment as a commissioned officer. A number of scholarship recipients will fulfill their entire obligation in the Reserve components.

The Armed Forces health professions scholarship program provides a source of commissioned officers for the various health professions.

The numbers of commissioned officers graduated from these programs are summarized below:

	1986 actual	1987 est.	1988 est.	1989 est.
ROTC:				
Army.....	7,809	8,002	8,203	8,373
Navy.....	1,666	1,880	1,880	1,880
Air Force.....	3,378	3,200	3,030	2,930
Total.....	12,853	13,082	13,113	13,183
Navy.....			186	186
Marine Corps.....	702	932	816	798
Total.....	702	932	1,002	984
Health professions scholarship:				
Army.....	337	345	340	340
Navy.....	206	218	210	210
Air Force.....	379	352	339	347
Total.....	922	915	889	897

## Federal Funds

## General and special funds:

## RESERVE PERSONNEL, ARMY\*

\*See Part II for additional information.

For pay, allowances, clothing, subsistence, gratuities, travel, and related expenses for personnel of the Army Reserve on active duty under sections 265, 3019, and 3033 of title 10, United States Code, or while serving on active duty under section 672(d) of title 10, United States Code, in connection with performing duty specified in section



678(a) of title 10, United States Code, or while undergoing reserve training, or while performing drills or equivalent duty or other duty, and for members of the Reserve Officers' Training Corps, and expenses authorized by section 2131 of title 10, United States Code, as authorized by law; for payments pursuant to section 229(b) of the Social Security Act (42 U.S.C. 429(b)), and for payments to the Department of Defense Military Retirement Fund; [\$2,323,210,000] \$2,278,500,000.

Further, for the foregoing purposes, \$2,363,600,000, to become available for obligation on October 1, 1988. (10 U.S.C. 683, 1475-80, 2101-11, 3722; 37 U.S.C. 204, 206, 209, 301, 305, 402-04, 414-18, 1002; Department of Defense Appropriations Act, 1987, as included in Public Laws 99-500 and 99-591, section 101(c); additional authorizing legislation to be proposed.)

## Program and Financing (in thousands of dollars)

Identification code	21-2070-0-1-051	1986 actual	1987 est.	1988 est.	1989 est.
<b>Program by activities:</b>					
<b>Direct program:</b>					
00.01	Unit and individual training	1,209,283	1,087,820	1,159,135	1,181,723
00.02	Other training and support	939,788	1,026,719	1,119,365	1,181,877
00.91	Total direct program	2,149,071	2,114,539	2,278,500	2,363,600
01.01	Reimbursable program	5,102	5,467	5,868	6,367
10.00	Total obligations	2,154,173	2,120,006	2,284,368	2,369,967
<b>Financing:</b>					
<b>Offsetting collections from:</b>					
11.00	Federal funds	-3,106	-3,335	-3,580	-3,884
14.00	Non-Federal sources	-1,996	-2,132	-2,288	-2,483
22.40	Unobligated balance transferred, net	-37,069			
25.00	Unobligated balance lapsing	21,992			
39.00	Budget authority	2,133,994	2,114,539	2,278,500	2,363,600
<b>Budget authority:</b>					
40.00	Appropriation	2,145,194	2,323,210	2,278,500	2,363,600
40.00	Reduction pursuant to P.L. 99-500		-229,000		
41.00	Transferred to other accounts	-11,200	-20,000		
42.00	Transferred from other accounts		40,329		
43.00	Appropriation (adjusted)	2,133,994	2,114,539	2,278,500	2,363,600
<b>Relation of obligations to outlays:</b>					
71.00	Obligations incurred, net	2,149,071	2,114,539	2,278,500	2,363,600
72.40	Obligated balance, start of year	114,742	121,625	232,879	288,479
74.40	Obligated balance, end of year	-121,625	-232,879	-288,479	-347,579
77.00	Adjustments in expired accounts	25,152			
90.00	Outlays	2,167,340	2,003,285	2,222,900	2,304,500

## SUMMARY OF BUDGET AUTHORITY AND OUTLAYS

(In thousands of dollars)

Enacted/requested:	1986 actual	1987 est.	1988 est.	1989 est.
Budget authority	2,133,994	2,114,539	2,278,500	2,363,600
Outlays	2,167,340	2,003,285	2,222,900	2,304,500
<b>Supplemental under existing legislation:</b>				
Budget authority		2,915		
Outlays		2,915		
<b>Total:</b>				
Budget authority	2,133,994	2,117,454	2,278,500	2,363,600
Outlays	2,167,340	2,006,200	2,222,900	2,304,500

## Object Classification (in thousands of dollars)

Identification code	21-2070-0-1-051	1986 actual	1987 est.	1988 est.	1989 est.
<b>Direct obligations:</b>					
11.7	Personnel compensation: Military personnel	1,168,985	1,360,545	1,481,125	1,557,801
<b>Personnel benefits: Military personnel:</b>					
12.2	Accrued retirement benefits	521,990	374,217	402,120	420,259
12.2	Other personnel benefits	237,769	136,121	143,889	111,994
21.0	Travel and transportation of persons	138,805	144,821	153,636	166,613
22.0	Transportation of things	5,778	4,769	5,515	5,387
26.0	Supplies and materials	75,710	88,745	86,761	96,092
42.0	Insurance claims and indemnities	34	5,321	5,454	5,454
99.0	Subtotal, direct obligations	2,149,071	2,114,539	2,278,500	2,363,600
99.0	Reimbursable obligations	5,102	5,467	5,868	6,367
99.9	Total obligations	2,154,173	2,120,006	2,284,368	2,369,967

## RESERVE PERSONNEL, NAVY\*

\*See Part II for additional information.

For pay, allowances, clothing, subsistence, gratuities, travel, and related expenses for personnel of the Navy Reserve on active duty under section 265 of title 10, United States Code, or while serving on active duty under section 672(d) of title 10, United States Code, in connection with performing duty specified in section 678(a) of title 10, United States Code, or while undergoing reserve training, or while performing drills or equivalent duty, and for members of the Reserve Officers' Training Corps, and expenses authorized by section 2131 of title 10, United States Code, as authorized by law; for payments pursuant to section 229(b) of the Social Security Act (42 U.S.C. 429(b)), and for payments to the Department of Defense Military Retirement Fund; [\$1,464,453,000] \$1,516,100,000.

Further, for the foregoing purposes, \$1,571,200,000, to become available for obligation on October 1, 1988. (10 U.S.C. 600, 683-4, 1475-80, 2031, 2101-11, 5456-57, 6081-86, 6148; 26 U.S.C. 3121; 37 U.S.C. 204, 206, 301, 305, 402-4, 415-18, 427, 1002; 38 U.S.C. 701-12; Department of Defense Appropriations Act, 1987, as included in Public Laws 99-500 and 99-591, section 101(c); additional authorizing legislation to be proposed.)

## Program and Financing (in thousands of dollars)

Identification code	17-1405-0-1-051	1986 actual	1987 est.	1988 est.	1989 est.
<b>Program by activities:</b>					
<b>Direct program:</b>					
00.01	Unit and individual training	660,325	611,868	663,206	693,285
00.02	Other training and support	668,991	783,024	852,894	877,915
00.91	Total direct program	1,329,316	1,394,892	1,516,100	1,571,200
01.01	Reimbursable program	309	400	400	400
10.00	Total obligations	1,329,625	1,395,292	1,516,500	1,571,600
<b>Financing:</b>					
<b>Offsetting collections from:</b>					
11.00	Federal funds	-300	-236	-236	-236
13.00	Trust funds		-136	-136	-136
14.00	Non-Federal sources	-9	-28	-28	-28
22.40	Unobligated balance transferred, net	-66,456			
25.00	Unobligated balance lapsing	1,739			
39.00	Budget authority	1,264,599	1,394,892	1,516,100	1,571,200
<b>Budget authority:</b>					
40.00	Appropriation	1,264,599	1,464,453	1,516,100	1,571,200
40.00	Reduction pursuant to P.L. 99-500		-99,000		
42.00	Transferred from other accounts		29,439		
43.00	Appropriation (adjusted)	1,264,599	1,394,892	1,516,100	1,571,200
<b>Relation of obligations to outlays:</b>					
71.00	Obligations incurred, net	1,329,316	1,394,892	1,516,100	1,571,200
72.40	Obligated balance, start of year	83,754	111,852	167,572	203,972
74.40	Obligated balance, end of year	-111,852	-167,572	-203,972	-235,372
77.00	Adjustments in expired accounts	-8,891			
90.00	Outlays	1,292,327	1,339,172	1,479,700	1,539,800

## SUMMARY OF BUDGET AUTHORITY AND OUTLAYS

(In thousands of dollars)

Enacted/requested:	1986 actual	1987 est.	1988 est.	1989 est.
Budget authority	1,264,599	1,394,892	1,516,100	1,571,200
Outlays	1,292,327	1,339,172	1,479,700	1,539,800
<b>Supplemental under existing legislation:</b>				
Budget authority		2,128		
Outlays		2,128		
<b>Total:</b>				
Budget authority	1,264,599	1,397,020	1,516,100	1,571,200
Outlays	1,292,327	1,341,300	1,479,700	1,539,800

## Object Classification (in thousands of dollars)

Identification code	17-1405-0-1-051	1986 actual	1987 est.	1988 est.	1989 est.
<b>Direct obligations:</b>					
11.7	Personnel compensation: Military personnel	806,254	891,256	978,174	1,020,336
<b>Personnel benefits: Military personnel:</b>					
12.2	Accrued retirement benefits	319,979	277,015	294,045	301,855



## General and special funds—Continued

## RESERVE PERSONNEL, NAVY—Continued

## Object Classification (in thousands of dollars)—Continued

Identification code	17-1405-0-1-051	1986 actual	1987 est.	1988 est.	1989 est.
12.2	Other personnel benefits.....	62,500	80,189	83,268	75,495
21.0	Travel and transportation of persons.....	92,624	99,833	111,591	119,866
22.0	Transportation of things.....	10,225	12,494	12,486	14,360
25.0	Other services: Other.....	46	583	581	667
26.0	Supplies and materials.....	36,362	32,616	34,835	37,431
42.0	Insurance claims and indemnities.....	1,326	906	1,120	1,190
99.0	Subtotal, direct obligations.....	1,329,316	1,394,892	1,516,100	1,571,200
99.0	Reimbursable obligations.....	309	400	400	400
99.9	Total obligations.....	1,329,625	1,395,292	1,516,500	1,571,600

## RESERVE PERSONNEL, MARINE CORPS\*

\*See Part II for additional information.

For pay, allowances, clothing, subsistence, gratuities, travel, and related expenses for personnel of the Marine Corps Reserve on active duty under section 265 of title 10, United States Code, or while serving on active duty under section 672(d) of title 10, United States Code, in connection with performing duty specified in section 678(a) of title 10, United States Code, or while undergoing reserve training, or while performing drills or equivalent duty, and for members of the Marine Corps platoon leaders class, and expenses authorized by section 2131 of title 10, United States Code, as authorized by law; for payments pursuant to section 229(b) of the Social Security Act (42 U.S.C. 429(b)), and for payments to the Department of Defense Military Retirement Fund; [\$303,968,000] \$294,700,000.

Further, for the foregoing purposes, \$302,600,000, to become available for obligation on October 1, 1988. (10 U.S.C. 600, 683, 1475-80, 2031, 2101-11, 5456, 5458, 6081-86, 6148; 37 U.S.C. 206, 301, 305, 402-04, 415-18, 1002; Department of Defense Appropriations Act, 1987, as included in Public Laws 99-500 and 99-591, section 101(c); additional authorizing legislation to be proposed.)

## Program and Financing (in thousands of dollars)

Identification code	17-1108-0-1-051	1986 actual	1987 est.	1988 est.	1989 est.
<b>Program by activities:</b>					
Direct program:					
00.01	Unit and individual training.....	187,016	177,662	182,013	185,124
00.02	Other training and support.....	96,029	100,285	112,687	117,476
00.91	Total direct program.....	283,045	277,947	294,700	302,600
01.01	Reimbursable program.....	741	700	700	700
10.00	Total obligations.....	283,786	278,647	295,400	303,300
<b>Financing:</b>					
Offsetting collections from:					
11.00	Federal funds.....	-647	-650	-650	-650
14.00	Non-Federal sources.....	-94	-50	-50	-50
22.40	Unobligated balance transferred, net.....	-12,276			
25.00	Unobligated balance lapsing.....	157			
39.00	Budget authority.....	270,926	277,947	294,700	302,600
<b>Budget authority:</b>					
40.00	Appropriation.....	270,926	303,968	294,700	302,600
40.00	Reduction pursuant to P.L. 99-500.....		-31,000		
42.00	Transferred from other accounts.....		4,979		
43.00	Appropriation (adjusted).....	270,926	277,947	294,700	302,600
<b>Relation of obligations to outlays:</b>					
71.00	Obligations incurred, net.....	283,045	277,947	294,700	302,600
72.40	Obligated balance, start of year.....	36,386	45,553	45,160	53,760
74.40	Obligated balance, end of year.....	-45,553	-45,160	-53,760	-59,260
77.00	Adjustments in expired accounts.....	-5,252			
90.00	Outlays.....	268,626	278,340	286,100	297,100

## SUMMARY OF BUDGET AUTHORITY AND OUTLAYS

(In thousands of dollars)

	1986 actual	1987 est.	1988 est.	1989 est.
Enacted/requested:				
Budget authority.....	270,926	277,947	294,700	302,600
Outlays.....	268,626	278,340	286,100	297,100
Supplemental under existing legislation:				
Budget authority.....		360		
Outlays.....		360		
Total:				
Budget authority.....	270,926	278,307	294,700	302,600
Outlays.....	268,626	278,700	286,100	297,100

## Object Classification (in thousands of dollars)

Identification code	17-1108-0-1-051	1986 actual	1987 est.	1988 est.	1989 est.
<b>Direct obligations:</b>					
11.7	Personnel compensation: Military personnel.....	157,104	172,250	183,491	193,436
<b>Personnel benefits: Military personnel:</b>					
12.2	Accrued retirement benefits.....	67,344	46,808	49,661	51,704
12.2	Other personnel benefits.....	15,641	15,144	15,347	8,888
21.0	Travel and transportation of persons.....	23,849	23,860	25,817	27,689
22.0	Transportation of things.....	370	375	442	462
26.0	Supplies and materials.....	17,746	18,511	18,943	19,422
42.0	Insurance claims and indemnities.....	991	999	999	999
99.0	Subtotal, direct obligations.....	283,045	277,947	294,700	302,600
99.0	Reimbursable obligations.....	741	700	700	700
99.9	Total obligations.....	283,786	278,647	295,400	303,300

## RESERVE PERSONNEL, AIR FORCE\*

\*See Part II for additional information.

For pay, allowances, clothing, subsistence, gratuities, travel, and related expenses for personnel of the Air Force Reserve on active duty under sections 265, 8019, and 8033 of title 10, United States Code, or while serving on active duty under section 672(d) of title 10, United States Code, in connection with performing duty specified in section 678(a) of title 10, United States Code, or while undergoing reserve training, or while performing drills or equivalent duty or other duty, and for members of the Air Reserve Officers' Training Corps, and expenses authorized by section 2131 of title 10, United States Code, as authorized by law; for payments pursuant to section 229(b) of the Social Security Act (42 U.S.C. 429(b)), and for payments to the Department of Defense Military Retirement Fund; [\$629,200,000] \$614,700,000.

Further, for the foregoing purposes, \$616,500,000, to become available for obligation on October 1, 1988. (10 U.S.C. 261-80, 591-95, 597-600, 651, 671-85, 687, 715, 1475-80, 2031, 2101-11, 2120-27, 2131-33, 2511, 8062, 8076, 8221-23, 8259-60, 8351-54, 8356-63, 8365-68, 8371-81, 8392-95, 8491, 8687, 8722, 9301, 9411-14, 9561-63, 9741, 9743; 37 U.S.C. 204, 206, 209, 301, 309, 402-11, 415-18, 1002; Department of Defense Appropriations Act, 1987, as included in Public Laws 99-500 and 99-591, section 101(c); additional authorizing legislation to be proposed.)

## Program and Financing (in thousands of dollars)

Identification code	57-3700-0-1-051	1986 actual	1987 est.	1988 est.	1989 est.
<b>Program by activities:</b>					
Direct program:					
00.01	Unit and individual training.....	392,098	346,650	386,083	391,420
00.02	Other training and support.....	210,599	217,249	228,617	225,080
00.91	Total direct program.....	602,697	563,899	614,700	616,500
01.01	Reimbursable program.....	1,600	1,601	1,600	1,600
10.00	Total obligations.....	604,297	565,500	616,300	618,100
<b>Financing:</b>					
Offsetting collections from:					
11.00	Federal funds.....	-1,575	-1,571	-1,570	-1,570
14.00	Non-Federal sources.....	-25	-30	-30	-30
22.40	Unobligated balance transferred, net.....	-23,117			
25.00	Unobligated balance lapsing.....	927			
39.00	Budget authority.....	580,507	563,899	614,700	616,500



Budget authority:				
40.00	Appropriation	580,507	629,200	614,700
40.00	Reduction pursuant to P.L. 99-500		-75,000	
42.00	Transferred from other accounts		9,699	
43.00	Appropriation (adjusted)	580,507	563,899	614,700
Relation of obligations to outlays:				
71.00	Obligations incurred, net	602,697	563,899	614,700
72.40	Obligated balance, start of year	85,225	62,057	78,057
74.40	Obligated balance, end of year	-62,057	-78,057	-105,757
77.00	Adjustments in expired accounts	-47,338		
90.00	Outlays	578,528	547,899	587,000

## SUMMARY OF BUDGET AUTHORITY AND OUTLAYS

(In thousands of dollars)

Enacted/requested:				
	1986 actual	1987 est.	1988 est.	1989 est.
Budget authority	580,507	563,899	614,700	616,500
Outlays	578,528	547,899	587,000	591,200
Supplemental under existing legislation:				
Budget authority		701		
Outlays		701		
Total:				
Budget authority	580,507	564,600	614,700	616,500
Outlays	578,528	548,600	587,000	591,200

## Object Classification (in thousands of dollars)

Identification code 57-3700-0-1-051				
	1986 actual	1987 est.	1988 est.	1989 est.
Direct obligations:				
11.7	Personnel compensation: Military personnel	367,977	381,914	416,797
	Personnel benefits: Military personnel:			
12.2	Accrued retirement benefits	152,380	87,204	94,234
12.2	Other personnel benefits	19,172	27,893	27,989
21.0	Travel and transportation of persons	48,141	50,764	57,650
22.0	Transportation of things	1,179	927	1,295
26.0	Supplies and materials	13,698	15,047	16,582
42.0	Insurance claims and indemnities	150	150	153
99.0	Subtotal, direct obligations	602,697	563,899	614,700
99.0	Reimbursable obligations	1,600	1,601	1,600
99.9	Total obligations	604,297	565,500	616,300

## NATIONAL GUARD PERSONNEL, ARMY\*

\*See Part II for additional information.

For pay, allowances, clothing, subsistence, gratuities, travel, and related expenses for personnel of the Army National Guard while on duty under section 265, 3033, or 3496 of title 10 or section 708 of title 32, United States Code, or while serving on duty under section 672(d) of title 10 or section 502(f) of title 32, United States Code, in connection with performing duty specified in section 678(a) of title 10, United States Code, or while undergoing training, or while performing drills or equivalent duty or other duty, and expenses authorized by section 2131 of title 10, United States Code, as authorized by law; for payments pursuant to section 229(b) of the Social Security Act (42 U.S.C. 429(b)), and for payments to the Department of Defense Military Retirement Fund; [\$3,323,145,000] \$3,217,700,000.

Further, for the foregoing purposes, \$3,269,100,000, to become available for obligation on October 1, 1988. (10 U.S.C. 683, 1475-80, 3722; 37 U.S.C. 301, 305, 402-04, 418, 1002; Department of Defense Appropriations Act, 1987, as included in Public Laws 99-500 and 99-591, section 101(c); additional authorizing legislation to be proposed.)

## Program and Financing (in thousands of dollars)

Identification code 21-2060-0-1-051				
	1986 actual	1987 est.	1988 est.	1989 est.
Program by activities:				
Direct program:				
00.01	Unit and individual training	1,871,431	1,667,658	1,739,815
00.02	Other training and support	1,290,289	1,403,339	1,477,885
30.91	Total direct program	3,161,720	3,070,997	3,217,700
01.01	Reimbursable program	5,391	5,659	5,659
10.00	Total obligations	3,167,111	3,076,656	3,223,359

## Financing:

Offsetting collections from:				
11.00	Federal funds	-2,600	-3,108	-3,108
14.00	Non-Federal sources	-2,791	-2,551	-2,551
22.40	Unobligated balance transferred, net	-105,796		
25.00	Unobligated balance lapsing	894		
39.00	Budget authority	3,056,818	3,070,997	3,217,700
Budget authority:				
40.00	Appropriation	3,056,818	3,323,145	3,217,700
40.00	Reduction pursuant to P.L. 99-500		-306,000	
41.00	Transferred to other accounts		-6,000	
42.00	Transferred from other accounts		59,852	
43.00	Appropriation (adjusted)	3,056,818	3,070,997	3,217,700
Relation of obligations to outlays:				
71.00	Obligations incurred, net	3,161,720	3,070,997	3,217,700
72.40	Obligated balance, start of year	271,860	294,998	453,821
74.40	Obligated balance, end of year	-294,998	-453,821	-539,421
77.00	Adjustments in expired accounts	-16,705		
90.00	Outlays	3,121,876	2,912,174	3,132,100

## SUMMARY OF BUDGET AUTHORITY AND OUTLAYS

(In thousands of dollars)

Enacted/requested:				
	1986 actual	1987 est.	1988 est.	1989 est.
Budget authority	3,056,818	3,070,997	3,217,700	3,269,100
Outlays	3,121,876	2,912,174	3,132,100	3,194,400
Supplemental under existing legislation:				
Budget authority		4,326		
Outlays		4,326		
Total:				
Budget authority	3,056,818	3,075,323	3,217,700	3,269,100
Outlays	3,121,876	2,916,500	3,132,100	3,194,400

## Object Classification (in thousands of dollars)

Identification code 21-2060-0-1-051				
	1986 actual	1987 est.	1988 est.	1989 est.
Direct obligations:				
11.7	Personnel compensation: Military personnel	1,885,372	1,992,709	2,114,288
	Personnel benefits: Military personnel:			
12.2	Accrued retirement benefits	800,738	571,488	595,661
12.2	Other personnel benefits	221,545	234,941	206,817
21.0	Travel and transportation of persons	131,321	148,901	163,294
22.0	Transportation of things	1,652	1,602	1,656
26.0	Supplies and materials	121,036	121,281	135,909
42.0	Insurance claims and indemnities	56	75	75
99.0	Subtotal, direct obligations	3,161,720	3,070,997	3,217,700
99.0	Reimbursable obligations	5,391	5,659	5,659
99.9	Total obligations	3,167,111	3,076,656	3,223,359

## NATIONAL GUARD PERSONNEL, AIR FORCE\*

\*See Part II for additional information.

For pay, allowances, clothing, subsistence, gratuities, travel, and related expenses for personnel of the Air National Guard on duty under section 265, 8033, or 8496 of title 10 or section 708 of title 32, United States Code, or while serving on duty under section 672(d) of title 10 or section 502(f) of title 32, United States Code, in connection with performing duty specified in section 678(a) of title 10, United States Code, or while undergoing training, or while performing drills or equivalent duty, or other duty, and expenses authorized by section 2131 of title 10, United States Code, as authorized by law; for payments pursuant to section 229(b) of the Social Security Act (42 U.S.C. 429(b)), and for payments to the Department of Defense Military Retirement Fund; [\$1,027,778,000] \$980,000,000.

Further, for the foregoing purposes, \$980,000,000, to become available for obligation on October 1, 1988. (10 U.S.C. 261-812, 510, 591-95, 597-600, 651, 671-85, 2131-33, 2511, 3015, 8062, 8077-78, 8080, 8224-25, 8261, 8351-54, 8356, 8358-63, 8365-68, 8371-81, 8392-95, 8491, 8722, 9301, 9561-63, 9741; 31 U.S.C. 698; 32 U.S.C. 101-11, 301-05, 307-08, 312-33, 501-07, 701, 37 U.S.C. 201, 203-06, 301, 309, 402-11, 414-18, 501-02, 1002; Department of Defense Appropriations Act, 1987, as in-



## General and special funds—Continued

## NATIONAL GUARD PERSONNEL, AIR FORCE—Continued

cluded in Public Laws 99-500 and 99-591, section 101(c); additional authorizing legislation to be proposed.)

## Program and Financing (in thousands of dollars)

Identification code	57-3850-0-1-051	1986 actual	1987 est.	1988 est.	1989 est.
<b>Program by activities:</b>					
Direct program:					
00.01	Unit and individual training.....	558,435	490,086	509,874	519,998
00.02	Other training and support.....	415,898	457,157	470,126	460,002
00.91	Total direct program.....	974,333	947,243	980,000	980,000
01.01	Reimbursable program.....	583	600	625	650
10.00	Total obligations.....	974,916	947,843	980,625	980,650
<b>Financing:</b>					
Offsetting collections from:					
11.00	Federal funds.....	—73	—	—	—
14.00	Non-Federal sources.....	—510	—600	—625	—650
22.40	Unobligated balance transferred, net.....	—59,278	—	—	—
25.00	Unobligated balance lapsing.....	1,541	—	—	—
39.00	Budget authority.....	916,597	947,243	980,000	980,000
<b>Budget authority:</b>					
40.00	Appropriation.....	922,797	1,027,778	980,000	980,000
40.00	Reduction pursuant to P.L. 99-500.....	—	—99,000	—	—
41.00	Transferred to other accounts.....	—6,200	—	—	—
42.00	Transferred from other accounts.....	—	18,465	—	—
43.00	Appropriation (adjusted).....	916,597	947,243	980,000	980,000
<b>Relation of obligations to outlays:</b>					
71.00	Obligations incurred, net.....	974,333	947,243	980,000	980,000
72.40	Obligated balance, start of year.....	37,542	66,767	83,045	93,545
74.40	Obligated balance, end of year.....	—66,767	—83,045	—93,545	—102,145
77.00	Adjustments in expired accounts.....	—1,146	—	—	—
90.00	Outlays.....	943,962	930,965	969,500	971,400

## SUMMARY OF BUDGET AUTHORITY AND OUTLAYS

(In thousands of dollars)

Enacted/requested:	1986 actual	1987 est.	1988 est.	1989 est.
Budget authority.....	916,597	947,243	980,000	980,000
Outlays.....	943,962	930,965	969,500	971,400
<b>Supplemental under existing legislation:</b>				
Budget authority.....	—	1,335	—	—
Outlays.....	—	1,335	—	—
<b>Total:</b>				
Budget authority.....	916,597	948,578	980,000	980,000
Outlays.....	943,962	932,300	969,500	971,400

## Object Classification (in thousands of dollars)

Identification code	57-3850-0-1-051	1986 actual	1987 est.	1988 est.	1989 est.
<b>Direct obligations:</b>					
11.7	Personnel compensation: Military personnel.....	623,860	652,386	679,417	695,950
<b>Personnel benefits: Military personnel:</b>					
12.2	Accrued retirement benefits.....	255,213	181,337	186,143	187,375
12.2	Other personnel benefits.....	41,518	59,276	56,380	36,211
21.0	Travel and transportation of persons.....	37,340	36,536	38,349	39,733
22.0	Transportation of things.....	2,176	2,741	3,114	3,241
26.0	Supplies and materials.....	14,190	14,931	16,561	17,454
42.0	Insurance claims and indemnities.....	36	36	36	36
99.0	Subtotal, direct obligations.....	974,333	947,243	980,000	980,000
99.0	Reimbursable obligations.....	583	600	625	650
99.9	Total obligations.....	974,916	947,843	980,625	980,650

## OPERATION AND MAINTENANCE

These appropriations finance the costs of operating and maintaining the Armed Forces, including the Reserve components and related support activities of the Department of Defense, except military personnel costs.

Included are amounts for pay of civilians, contract services for maintenance of equipment and facilities, fuel, supplies, and repair parts for weapons and equipment. Financial requirements are influenced by many factors, including the number of aircraft squadrons, Army and Marine Corps divisions, installations, military strength and deployments, rates of operational activity, and quantity and complexity of major equipment (aircraft, ships, missiles, tanks, et cetera) in operation.

## Federal Funds

## General and special funds:

## OPERATION AND MAINTENANCE, ARMY\*

\*See Part II for additional information.

For expenses, not otherwise provided for, necessary for the operation and maintenance of the Army, as authorized by law; and not to exceed [\$15,664,000] \$17,923,000 can be used for emergencies and extraordinary expenses, to be expended on the approval or authority of the Secretary of the Army, and payments may be made on his certificate of necessity for confidential military purposes; [\$20,022,399,000] \$22,120,394,000, of which not less than [\$1,705,000,000] \$1,535,000,000 shall be available only for the maintenance of real property facilities.

Further, for the foregoing purposes, and not to exceed \$18,487,000 can be used for emergencies and extraordinary expenses, to be expended on the approval or authority of the Secretary of the Army, and payments may be made on his certificate of necessity for confidential military purposes; \$23,679,570,000, to become available for obligation on October 1, 1988, of which not less than \$1,697,000,000 shall be available only for the maintenance of real property facilities. (5 U.S.C. 5943-44; 10 U.S.C. 127, 520b, 951-56, 1037, 1044, 1049-50, 1071-85, 1093, 1481-88, 2006-08, 2483, 2602, 2637-39, 2675, 2805, 3013-14, 3062, 4302, 4331-55, 4505, 4536, 4741; 37 U.S.C. 404-22; 39 U.S.C. 4169; Department of Defense Appropriations Act, 1987, as included in Public Laws 99-500 and 99-591, section 101(c); additional authorizing legislation to be proposed.)

## Program and Financing (in thousands of dollars)

Identification code	21-2020-0-1-051	1986 actual	1987 est.	1988 est.	1989 est.
<b>Program by activities:</b>					
Direct program:					
00.02	General purpose forces.....	7,131,184	7,610,917	7,885,139	8,520,470
00.03	Intelligence and communications.....	1,400,187	1,435,031	1,517,460	1,648,290
00.07	Central supply and maintenance.....	4,950,817	5,288,531	5,707,764	6,124,481
00.08	Training, medical, and other general personnel activities.....	4,287,874	4,721,212	5,760,423	6,082,872
00.09	Administration and associated activities.....	1,068,960	1,173,313	1,018,017	1,058,959
00.10	Support of other nations.....	164,696	211,012	231,591	244,498
00.91	Total direct program.....	19,003,718	20,440,016	22,120,394	23,679,570
01.01	Reimbursable program.....	2,457,785	2,725,407	2,838,784	2,956,877
10.00	Total obligations.....	21,461,503	23,165,423	24,959,178	26,636,447
<b>Financing:</b>					
Offsetting collections from:					
11.00	Federal funds.....	—2,014,173	—2,390,628	—2,476,098	—2,617,121
13.00	Trust funds.....	—317,496	—219,599	—237,010	—215,213
14.00	Non-Federal sources.....	—126,116	—115,180	—125,676	—124,543
17.00	Recovery of prior year obligations.....	—140,472	—	—	—
22.40	Unobligated balance transferred, net.....	—825,828	—185,418	—	—
22.40	Portion applied to meet foreign currency fluctuations in expired accounts.....	74,200	185,000	—	—
23.40	Reduction pursuant to P.L. 99-177 in unobligated balance.....	31,017	—	—	—
25.00	Unobligated balance lapsing.....	5,459	—	—	—
39.00	Budget authority.....	18,148,095	20,439,598	22,120,394	23,679,570



Budget authority:				
40.00	Appropriation.....	18,045,707	20,022,399	22,120,394
41.00	Transferred to other accounts.....	—22,818	—21,300	
42.00	Transferred from other accounts.....	125,206	316,773	
43.00	Appropriation (adjusted).....	18,148,095	20,317,872	22,120,394
44.10	Supplemental for wage-board pay raises.....		591	
44.20	Supplemental for civilian pay raises.....		2,088	
44.40	Supplemental for retirement contributions (P.L. 99-335).....		119,047	

Relation of obligations to outlays:				
71.00	Obligations incurred, net.....	19,063,718	20,440,016	22,120,394
72.40	Obligated balance, start of year.....	6,342,759	6,354,310	6,958,126
74.40	Obligated balance, end of year.....	—6,354,310	—6,958,126	—8,070,020
77.00	Adjustments in expired accounts.....	—18,031	—185,000	
78.00	Adjustments in unexpired accounts.....	—140,472		
89.00	Outlays.....	18,833,665	19,651,200	21,008,500
Outlays:				
90.00	Outlays, excluding pay and retirement supplementals.....	18,833,665	19,529,474	21,008,500
91.10	Outlays from wage-board pay raise supplemental.....		591	
91.20	Outlays from civilian pay raise supplemental.....		2,088	
91.40	Outlays from retirement contribution supplemental.....		119,047	

## SUMMARY OF BUDGET AUTHORITY AND OUTLAYS

(In thousands of dollars)

Enacted/requested:				
	1986 actual	1987 est.	1988 est.	1989 est.
Budget authority.....	18,148,095	20,439,598	22,120,394	23,679,570
Outlays.....	18,833,665	19,651,200	21,008,500	22,580,700
Supplemental—additional authorizing legislation required:				
Budget authority.....		75,000		
Outlays.....		75,000		
Total:				
Budget authority.....	18,148,095	20,514,598	22,120,394	23,679,570
Outlays.....	18,833,665	19,726,200	21,008,500	22,580,700

## Object Classification (in thousands of dollars)

Identification code	21-2020-0-1-051	1986 actual	1987 est.	1988 est.	1989 est.
Direct obligations:					
Personnel compensation:					
11.1	Full-time permanent.....	4,137,364	4,133,591	4,197,476	4,325,179
11.3	Other than full-time permanent.....	342,373	342,061	347,348	357,916
11.5	Other personnel compensation.....	178,408	178,245	180,999	186,505
11.9	Total personnel compensation.....	4,658,145	4,653,897	4,725,823	4,869,600
12.1	Personnel benefits: Civilian.....	643,859	727,296	971,897	1,042,213
13.0	Benefits for former personnel.....	27,087	35,717	35,637	36,911
21.0	Travel and transportation of persons.....	610,163	622,915	645,401	665,000
22.0	Transportation of things.....	788,316	802,776	804,330	822,700
23.1	Rental payments to GSA.....	113,832	114,541	133,703	135,358
23.2	Rental payments to others.....	166,997	238,183	250,537	271,921
23.3	Communications, utilities, and miscellaneous charges.....	715,653	612,636	519,542	494,111
24.0	Printing and reproduction.....	105,663	101,097	86,356	91,384
Other services:					
25.0	Payments to foreign national indirect hire personnel.....	631,886	1,175,544	1,445,637	1,543,508
25.0	Purchases from industrial funds.....	894,169	1,150,605	1,542,595	1,677,353
25.0	Contracts.....	7,217,255	7,332,575	7,635,661	8,245,499
25.0	Other.....	66,439	174,214	177,853	181,355
26.0	Supplies and materials.....	2,005,837	2,396,500	2,824,302	3,213,051
31.0	Equipment.....	347,579	301,520	321,120	389,606
32.0	Land and structures.....	8,661			
41.0	Grants, subsidies, and contributions.....	2,177			
99.0	Subtotal, direct obligations.....	19,003,718	20,440,016	22,120,394	23,679,570
99.0	Reimbursable obligations.....	2,457,785	2,725,407	2,838,784	2,956,877
99.9	Total obligations.....	21,461,503	23,165,423	24,959,178	26,636,447

## Personnel Summary

Total number of full-time permanent positions.....	173,735	192,001	190,441	196,765
Total compensable workyears:				
Full-time equivalent employment.....	217,714	219,484	218,504	225,952
Full-time equivalent of overtime and holiday hours.....	8,618	9,332	9,380	9634

## OPERATION AND MAINTENANCE, NAVY\*

\*See Part II for additional information.

For expenses, not otherwise provided for, necessary for the operation and maintenance of the Navy and the Marine Corps, as authorized by law; and not to exceed [\$3,919,000] \$3,886,000 can be used for emergencies and extraordinary expenses, to be expended on the approval or authority of the Secretary of the Navy, and payments may be made on his certificate of necessity for confidential military purposes; [\$22,939,674,000] \$25,652,830,000, of which not less than [\$795,000,000] \$871,000,000 shall be available only for the maintenance of real property facilities, and of which \$75,000,000 shall be available only to reimburse United States Coast Guard Operating Expenses for operations and training relating to the Coast Guard defense, military readiness and drug enforcement missions; Provided, That of the total amount of this appropriation made available for the alteration, overhaul, and repair of naval vessels, not more than [\$3,415,000,000] \$2,935,000,000 shall be available for the performance of such work in Navy shipyards; Provided further, That from the amounts of this appropriation for the alteration, overhaul and repair of naval vessels and aircraft, funds shall be available to acquire the alteration, overhaul and repair by competition between public and private shipyards and air rework facilities. The Navy shall certify that successful bids include comparable estimates of all direct and indirect costs for both public and private shipyards and air rework facilities. Competitions shall not be subject to section 502 of the Department of Defense Authorization Act, 1981, as amended, section 307 of the fiscal year 1985 Department of Defense Authorization Act, or Office of Management and Budget Circular A-76; Provided further, That funds herein provided shall be available for payments in support of the LEASAT program in accordance with the terms of the Aide Memoire, dated January 5, 1981; Provided further, That of the funds appropriated herein, not to exceed \$5,080,000 shall be available for a grant to the Battleship Texas Advisory Board of the State of Texas for the restoration of the Battleship Texas.

Further, for the foregoing purposes, and not to exceed \$4,014,000 can be used for emergencies and extraordinary expenses, to be expended on the approval or authority of the Secretary of the Navy, and payments may be made on his certificate of necessity for confidential military purposes; \$26,526,092,000, to become available for obligation on October 1, 1988, of which not less than \$778,000,000 shall be available only for the maintenance of real property facilities: Provided, That of the total amount of this appropriation made available for the alteration, overhaul, and repair of naval vessels, not more than \$3,200,000,000 shall be available for the performance of such work in Navy shipyards: Provided further, That funds herein provided shall be available for payments in support of the LEASAT program in accordance with the terms of the Aide Memoire, dated January 5, 1981. (5 U.S.C. 5943-44; 10 U.S.C. 127, 265, 276, 351, 951-56, 1037, 1044, 1049-50, 1071-85, 1125, 1481-88, 2006-08, 2110, 2127, 2483, 2602, 2632, 2637-39, 2675, 2805, 5013, 5151, 5062-63, 6022, 6029, 6153, 6201-03, 6951-52, 6968, 7041, 7043-44, 7085, 7205, 7207-09, 7212, 7214, 7229, 7293, 7297, 7303, 7361-62, 7395-96, 7421, 7432, 7571, 7580; 24 U.S.C. 14a, 16a, 21a, 21b, 37; 37 U.S.C. 404; 39 U.S.C. 406, 2601, 3208; 44 U.S.C. 1321; Department of Defense Appropriations Act, 1987, as included in Public Laws 99-500 and 99-591, section 101(c); additional authorizing legislation to be proposed.)

[For an additional amount for "Operation and maintenance, Navy", \$15,000,000.] (Omnibus Drug Supplemental Appropriations Act of 1987, as included in Public Laws 99-500 and 99-591, Title II.)

## Program and Financing (in thousands of dollars)

Identification code	17-1804-0-1-051	1986 actual	1987 est.	1988 est.	1989 est.
Program by activities:					
Direct program:					
00.01	Strategic forces.....	1,790,329	1,949,728	1,623,026	1,821,258
00.02	General purpose forces.....	11,210,580	11,810,841	11,121,676	11,626,186



## General and special funds—Continued

## OPERATION AND MAINTENANCE, NAVY—Continued

## Program and Financing (in thousands of dollars)—Continued

Identification code 17-1804-0-1-051	1986 actual	1987 est.	1988 est.	1989 est.
00.03 Intelligence and communications.....	1,035,024	1,135,780	1,173,306	1,167,266
00.04 Airlift and seallift.....	751,548	596,729	549,099	578,782
00.07 Central supply and maintenance.....	5,268,433	4,472,564	6,718,286	6,547,291
00.08 Training, medical, and other general personnel activities.....	2,393,086	2,520,845	3,609,251	3,914,304
00.09 Administration and associated activities.....	724,561	815,072	854,267	866,958
00.10 Support of other nations.....	2,296	2,406	3,919	4,047
00.91 Total direct program.....	23,175,957	23,303,965	25,652,830	26,526,092
01.01 Reimbursable program.....	2,962,153	3,147,465	3,267,216	3,656,547
10.00 Total obligations.....	26,138,110	26,451,430	28,920,046	30,182,639
<b>Financing:</b>				
Offsetting collections from:				
Federal funds.....	-2,797,731	-2,963,953	-3,082,287	-3,467,996
Trust funds.....	-96,827	-139,861	-138,210	-142,041
Non-Federal sources.....	-67,595	-43,651	-46,719	-46,510
17.00 Recovery of prior year obligations.....	-220,752			
21.40 Unobligated balance available, start of year.....		-1,341		
22.40 Unobligated balance transferred, net.....	-54,648	-900		
23.40 Reduction pursuant to P.L. 99-177 in unobligated balance.....	5,733			
24.40 Unobligated balance available, end of year.....	1,341			
25.00 Unobligated balance lapsing.....	410,964	1,341		
39.00 Budget authority.....	23,318,595	23,303,065	25,652,830	26,526,092
<b>Budget authority:</b>				
40.00 Appropriation.....	23,277,695	22,954,674	25,652,830	26,526,092
41.00 Transferred to other accounts.....	-25,100	-20,000		
42.00 Transferred from other accounts.....	66,000	216,161		
43.00 Appropriation (adjusted).....	23,318,595	23,150,835	25,652,830	26,526,092
44.10 Supplemental for wage-board pay raises.....		833		
44.20 Supplemental for civilian pay raises.....		2,517		
44.40 Supplemental for retirement contributions (P.L. 99-335).....		148,880		
<b>Relation of obligations to outlays:</b>				
71.00 Obligations incurred, net.....	23,175,957	23,303,965	25,652,830	26,526,092
72.40 Obligated balance, start of year.....	8,667,335	9,347,089	10,658,854	12,464,784
74.40 Obligated balance, end of year.....	-9,347,089	-10,658,854	-12,464,784	-13,895,076
77.00 Adjustments in expired accounts.....	322,549			
78.00 Adjustments in unexpired accounts.....	-220,752			
89.00 Outlays.....	22,597,999	21,992,200	23,846,900	25,095,800
<b>Outlays:</b>				
90.00 Outlays, excluding pay and retirement supplementals.....	22,597,999	21,839,970	23,846,900	25,095,800
91.10 Outlays from wage-board pay raise supplemental.....		833		
91.20 Outlays from civilian pay raise supplemental.....		2,517		
91.40 Outlays from retirement contribution supplemental.....		148,880		

## SUMMARY OF BUDGET AUTHORITY AND OUTLAYS

[In thousands of dollars]

Enacted/requested:	1986 actual	1987 est.	1988 est.	1989 est.
Budget authority.....	23,318,595	23,303,065	25,652,830	26,526,092
Outlays.....	22,597,999	21,992,200	23,846,900	25,095,800
Supplemental—additional authorizing legislation required:				
Total:				
Budget authority.....		120,000		

Outlays.....		120,000		
Budget authority.....	23,318,595	23,423,065	25,652,830	26,526,092
Outlays.....	22,597,999	22,112,200	23,846,900	25,095,800

## Object Classification (in thousands of dollars)

Identification code 17-1804-0-1-051	1986 actual	1987 est.	1988 est.	1989 est.
<b>Direct obligations:</b>				
Personnel compensation:				
Full-time permanent.....	2,410,332	2,527,012	2,616,179	2,663,950
Other than full-time permanent.....	175,743	192,419	202,785	202,751
Other personnel compensation.....	117,114	113,823	115,566	120,402
Special personal services payments.....	848	873	887	928
Total personnel compensation.....	2,704,037	2,834,127	2,935,417	2,988,031
Personnel benefits: Civilian.....	353,764	419,365	574,146	610,267
Benefits for former personnel.....	6,654	14,019	13,532	13,952
Travel and transportation of persons.....	324,067	322,167	337,421	357,112
Transportation of things.....	410,868	408,459	427,799	452,764
Rental payments to GSA.....	138,571	137,759	144,281	152,701
Rental payments to others.....	70,590	70,176	69,767	73,902
Communications, utilities, and miscellaneous charges.....	832,091	827,213	866,381	916,938
Printing and reproduction.....	40,092	39,857	41,744	44,180
Other services:				
Payments to foreign national indirect hire personnel.....	69,014	108,617	136,338	137,832
Purchases from industrial funds.....	6,167,395	6,131,238	6,421,548	6,796,275
Contracts.....	7,927,949	7,884,322	9,383,362	9,430,055
Other.....	18,565	18,456	19,330	20,458
Supplies and materials.....	3,556,478	3,535,627	3,703,037	3,919,127
Equipment.....	555,822	552,563	578,727	612,498
99.0 Subtotal, direct obligations.....	23,175,957	23,303,965	25,652,830	26,526,092
99.0 Reimbursable obligations.....	2,962,153	3,147,465	3,267,216	3,656,547
99.9 Total obligations.....	26,138,110	26,451,430	28,920,046	30,182,639

## Personnel Summary

Total number of full-time permanent positions.....	109,615	116,015	117,777	123,708
Total compensable workyears:				
Full-time equivalent employment.....	132,894	133,709	136,625	143,166
Full-time equivalent of overtime and holiday hours.....	4,868	4,004	3,402	3,721

## OPERATION AND MAINTENANCE, MARINE CORPS

For expenses, not otherwise provided for, necessary for the operation and maintenance of the Marine Corps, as authorized by law; **[\$1,793,750,000]** **\$1,918,367,000**, of which not less than **[\$280,000,000]** **\$329,083,000** shall be available only for the maintenance of real property facilities.

Further, for the foregoing purposes, **\$1,939,216,000**, to become available for obligation on October 1, 1988, of which not less than **\$328,810,000** shall be available only for the maintenance of real property facilities. (5 U.S.C. 5943, 5944, 7903; 10 U.S.C. 265, 276, 520b, 951-56, 1037, 1044, 1049-50, 1071-85, 1125, 1481-88, 2006-08, 2110, 6911, 7214, 7571, 7580; 37 U.S.C. 404-11; 39 U.S.C. 406, 2601, 3208; Department of Defense Appropriations Act, 1987, as included in Public Laws 99-500; and 99-591, section 101(c) additional authorizing legislation to be proposed.)

## Program and Financing (in thousands of dollars)

Identification code 17-1106-0-1-051	1986 actual	1987 est.	1988 est.	1989 est.
<b>Program by activities:</b>				
Direct program:				
General purpose forces.....	871,734	1,010,123	1,116,453	1,122,117
Central supply and maintenance.....	342,982	407,042	375,252	387,795
Training, medical, and other general personnel activities.....	242,483	262,609	287,165	284,366
Administration and associated activities.....	118,430	129,866	139,497	144,938
Total direct program.....	1,575,629	1,809,640	1,918,367	1,939,216
Reimbursable program.....	290,956	308,000	314,000	319,000
10.00 Total obligations.....	1,866,585	2,117,640	2,232,367	2,258,216



<b>Financing:</b>				
Offsetting collections from:				
11.00	Federal funds	—278,541	—294,750	—291,750
13.00	Trust funds	—716	—2,650	—2,650
14.00	Non-Federal sources	—11,699	—10,600	—19,600
17.00	Recovery of prior year obligations	—27,400		—28,600
22.40	Unobligated balance transferred, net	—39,339		
23.40	Reduction pursuant to P.L. 99-177 in unobligated balance	1,862		
25.00	Unobligated balance lapsing	22,308		
39.00	<b>Budget authority</b>	<b>1,533,060</b>	<b>1,809,640</b>	<b>1,918,367</b>
<b>Budget authority:</b>				
40.00	Appropriation	1,533,060	1,793,750	1,918,367
42.00	Transferred from other accounts		7,590	1,939,216
43.00	<b>Appropriation (adjusted)</b>	<b>1,533,060</b>	<b>1,801,340</b>	<b>1,918,367</b>
44.10	Supplemental for wage-board pay raises		54	1,939,216
44.20	Supplemental for civilian pay raises		129	
44.40	Supplemental for retirement contributions (P.L. 99-335)		8,117	
<b>Relation of obligations to outlays:</b>				
71.00	Obligations incurred, net	1,575,629	1,809,640	1,918,367
72.40	Obligated balance, start of year	715,328	641,602	744,542
74.40	Obligated balance, end of year	—641,602	—744,542	—815,409
77.00	Adjustments in expired accounts	—9,785		—850,725
78.00	Adjustments in unexpired accounts	—27,400		
89.00	<b>Outlays</b>	<b>1,612,171</b>	<b>1,706,700</b>	<b>1,847,500</b>
<b>Outlays:</b>				
90.00	Outlays, excluding pay and retirement supplementals	1,612,171	1,698,400	1,847,500
91.10	Outlays from wage-board pay raise supplemental		54	1,903,900
91.20	Outlays from civilian pay raise supplemental		129	
91.40	Outlays from retirement contribution supplemental		8,117	

**Object Classification (in thousands of dollars)**

Identification code	17-1106-0-1-051	1986 actual	1987 est.	1988 est.	1989 est.
<b>Direct obligations:</b>					
<b>Personnel compensation:</b>					
11.1	Full-time permanent	328,335	330,453	333,118	327,908
11.3	Other than full-time permanent	10,157	9,055	9,110	9,009
11.5	Other personnel compensation	15,991	13,634	13,699	13,602
11.9	<b>Total personnel compensation</b>	<b>354,483</b>	<b>353,142</b>	<b>355,927</b>	<b>350,519</b>
12.1	Personnel benefits: Civilian	45,513	51,672	69,964	72,140
21.0	Travel and transportation of persons	76,833	58,394	58,795	59,927
22.0	Transportation of things	67,009	84,761	83,748	90,445
23.0	Rental payments to others	114,918	157,616	175,376	180,822
24.0	Printing and reproduction	6,715	8,099	8,545	8,944
<b>Other services:</b>					
25.0	Payments to foreign national indirect hire personnel	38,547	64,088	81,266	85,288
25.0	Purchases from industrial funds	66,578	132,860	116,964	123,996
25.0	Contracts	503,661	512,022	575,282	566,327
26.0	Supplies and materials	251,299	311,094	311,518	323,614
31.0	Equipment	50,073	75,892	80,982	77,194
99.0	<b>Subtotal, direct obligations</b>	<b>1,575,629</b>	<b>1,809,640</b>	<b>1,918,367</b>	<b>1,939,216</b>
99.0	Reimbursable obligations	290,956	308,000	314,000	319,000
99.9	<b>Total obligations</b>	<b>1,866,585</b>	<b>2,117,640</b>	<b>2,232,367</b>	<b>2,258,216</b>

**Personnel Summary**

Total number of full-time permanent positions	15,590	15,826	15,826	15,826
Total compensable workyears:				
Full-time equivalent employment	17,390	17,077	17,033	17,029
Full-time equivalent of overtime and holiday hours	340	275	277	274

**OPERATION AND MAINTENANCE, AIR FORCE\***

\*See Part II for additional information.

For expenses, not otherwise provided for, necessary for the operation and maintenance of the Air Force, as authorized by law, includ-

ing the lease and associated maintenance of replacement aircraft for the CT-39 aircraft to the same extent and manner as authorized for service contracts by section 2306(g), title 10, United States Code; and not to exceed \$6,171,000. \$6,775,000 can be used for emergencies and extraordinary expenses, to be expended on the approval or authority of the Secretary of the Air Force, and payments may be made on his certificate of necessity for confidential military purposes; \$18,636,816,000 \$21,325,282,000, of which not less than \$1,650,000,000 \$1,600,000,000 shall be available only for the maintenance of real property facilities.

Further, for the foregoing purposes, and not to exceed \$7,690,000 can be used for emergencies and extraordinary expenses, to be expended on the approval or authority of the Secretary of the Air Force, and payments may be made on his certificate of necessity for confidential military purposes; \$22,208,044,000, to become available for obligation on October 1, 1988, of which not less than \$1,690,000,000 shall be available only for the maintenance of real property facilities. (5 U.S.C. 5943, 5944, 7903; 10 U.S.C. 122, 127, 503, 520b, 717, 951-56, 1037, 1040, 1044, 1049-50, 1071-89, 1121-26, 1481-88, 2002, 2006-08, 2101-11, 2112-17, 2120-27, 2389, 2421, 2481, 2483, 2602, 2632-34, 2637-39, 2663, 2675, 8013, 8541, 8542, 8547, 8721-23, 8741-52, 9022, 9025, 9301-04, 9305, 9315, 9331-37, 9341-55, 9411-14, 9441, 9501, 9502, 9505, 9531, 9536, 9561, 9562, 9563, 9651-56, 9712, 9741, 9742, 9743, 9746, 9780; 20 U.S.C. 901-07; 37 U.S.C. 201, 421, 404-11e; 38 U.S.C. 5011; 39 U.S.C. 406, 3401-02; 40 U.S.C. 35; 42 U.S.C. 1856-56d, 3374, 315q; 43 U.S.C. 1241-43; 44 U.S.C. 1108; 50 U.S.C. 451-55, 491-94; Public Law 94-524 (18 U.S.C. 3056 note); Public Law 97-252; Department of Defense Appropriations Act, 1987, as included in Public Laws 99-500 and 99-591, section 101(c); additional authorizing legislation to be proposed.)

For an additional amount for "Operation and maintenance, Air Force", \$12,615,000. (Omnibus Drug Supplemental Appropriations Act of 1987, as included in Public Laws 99-500 and 99-591, Title II.)

**Program and Financing (in thousands of dollars)**

Identification code	57-3400-0-1-051	1986 actual	1987 est.	1988 est.	1989 est.
<b>Program by activities:</b>					
<b>Direct program:</b>					
00.01	Strategic forces	3,087,366	2,905,463	3,351,973	3,572,424
00.02	General purpose forces	4,206,096	3,866,008	4,473,897	4,783,994
00.03	Intelligence and communications	2,224,843	2,374,218	2,475,132	2,732,697
00.04	Airlift and sealfit	1,120,289	1,164,581	1,072,737	1,179,185
00.07	Central supply and maintenance	5,720,591	5,765,050	6,404,580	6,236,317
00.08	Training, medical, and other general personnel activities	2,077,364	2,261,753	2,907,271	3,037,812
00.09	Administration and associated activities	546,222	592,848	633,577	656,921
00.10	Support of other nations	5,214	5,852	6,115	8,694
00.91	<b>Total direct program</b>	<b>18,987,985</b>	<b>18,935,773</b>	<b>21,325,282</b>	<b>22,208,044</b>
01.01	Reimbursable program	1,579,779	1,625,000	1,700,000	1,785,000
10.00	<b>Total obligations</b>	<b>20,567,764</b>	<b>20,560,773</b>	<b>23,025,282</b>	<b>23,993,044</b>
<b>Financing:</b>					
Offsetting collections from:					
11.00	Federal funds	—1,194,198	—1,365,000	—1,428,000	—1,499,400
13.00	Trust funds	—325,184	—195,000	—204,000	—214,200
14.00	Non-Federal sources	—60,397	—65,000	—68,000	—71,400
17.00	Recovery of prior year obligations	—153,000			
22.40	Unobligated balance transferred, net	—205,000	—60,000		
22.40	Portion applied to meet foreign currency fluctuations in expired accounts	15,000	60,000		
23.40	Reduction pursuant to P.L. 99-177 in unobligated balance	8,085			
25.00	Unobligated balance lapsing	13,970			
39.00	<b>Budget authority</b>	<b>18,667,040</b>	<b>18,935,773</b>	<b>21,325,282</b>	<b>22,208,044</b>
<b>Budget authority:</b>					
40.00	Appropriation	18,579,509	18,649,431	21,325,282	22,208,044
41.00	Transferred to other accounts	—23,200	—15,315		
42.00	Transferred from other accounts	110,731	207,168		
43.00	<b>Appropriation (adjusted)</b>	<b>18,667,040</b>	<b>18,841,284</b>	<b>21,325,282</b>	<b>22,208,044</b>



## General and special funds—Continued

## OPERATION AND MAINTENANCE, AIR FORCE—Continued

## Program and Financing (in thousands of dollars)—Continued

Identification code	57-3400-0-1-051	1986 actual	1987 est.	1988 est.	1989 est.
44.10	Supplemental for wage-board pay raises .....		507		
44.20	Supplemental for civilian pay raises .....		1,418		
44.40	Supplemental for retirement contributions (P.L. 99-335) .....		85,564		
50.00	Reappropriation .....		7,000		
Relation of obligations to outlays:					
71.00	Obligations incurred, net .....	18,987,985	18,935,773	21,325,282	22,208,044
72.40	Obligated balance, start of year .....	6,267,503	6,487,195	6,740,968	7,754,750
74.00	Obligated balance, end of year .....	-6,487,195	-6,740,968	-7,754,750	-8,472,294
77.00	Adjustments in expired accounts .....	31,172	-60,000		
78.00	Adjustments in unexpired accounts .....	-153,000			
89.00	Outlays .....	18,646,465	18,622,000	20,311,500	21,490,500
Outlays:					
90.00	Outlays, excluding pay and retirement supplementals .....	18,646,465	18,534,511	20,311,500	21,490,500
91.10	Outlays from wage-board pay raise supplemental .....		507		
91.20	Outlays from civilian pay raise supplemental .....		1,418		
91.40	Outlays from retirement contribution supplemental .....		85,564		

## SUMMARY OF BUDGET AUTHORITY AND OUTLAYS

(In thousands of dollars)

Enacted/requested:	1986 actual	1987 est.	1988 est.	1989 est.
Budget authority .....	18,667,040	18,935,773	21,325,282	22,208,044
Outlays .....	18,646,465	18,622,000	20,311,500	21,490,500
Supplemental—additional authorizing legislation required:				
Budget authority .....		21,000		
Outlays .....		21,000		
Total:				
Budget authority .....	18,667,040	18,956,773	21,325,282	22,208,044
Outlays .....	18,646,465	18,643,000	20,311,500	21,490,500

## Object Classification (in thousands of dollars)

Identification code	57-3400-0-1-051	1986 actual	1987 est.	1988 est.	1989 est.
Direct obligations:					
Personnel compensation:					
11.1	Full-time permanent .....	3,103,487	3,205,731	3,608,570	3,667,805
11.3	Other than full-time permanent .....	109,535	113,144	127,361	129,452
11.5	Other personnel compensation .....	73,023	75,429	84,908	86,301
11.9	Total personnel compensation .....	3,286,045	3,394,304	3,820,839	3,883,558
12.1	Personnel benefits: Civilian .....	328,604	339,431	382,084	388,356
13.0	Benefits for former personnel .....	36,512	37,715	42,454	43,151
21.0	Travel and transportation of persons .....	532,119	497,173	507,608	517,922
22.0	Transportation of things .....	651,083	681,048	588,223	605,140
23.1	Rental payments to GSA .....	18,426	20,313	19,724	20,394
23.2	Rental payments to others .....	193,625	184,552	127,595	131,321
23.3	Communications, utilities, and miscellaneous charges .....	861,542	1,056,829	1,059,915	1,094,192
24.0	Printing and reproduction .....	47,627	49,600	52,677	54,286
Other services:					
25.0	Payments to foreign national indirect hire personnel .....	142,678	207,398	272,278	281,908
25.0	Purchases from industrial funds .....	3,257,102	3,365,043	3,051,209	2,801,152
25.0	Contracts .....	5,673,386	6,210,800	7,313,032	8,049,069
26.0	Supplies and materials .....	3,526,240	2,544,923	3,703,861	3,964,290
31.0	Equipment .....	356,922	261,532	297,580	283,363
32.0	Land and structures .....	30	37	51	63
41.0	Grants, subsidies, and contributions .....	1,075	838	2,156	2,146
42.0	Insurance claims and indemnities .....	74,548	84,225	83,984	87,719
43.0	Interest and dividends .....	421	12	12	14
99.0	Subtotal, direct obligations .....	18,987,985	18,935,773	21,325,282	22,208,044
99.0	Reimbursable obligations .....	1,579,779	1,625,000	1,700,000	1,785,000
99.9	Total obligations .....	20,567,764	20,560,773	23,025,282	23,993,044

## Personnel Summary

Total number of full-time permanent positions .....	128,669	131,115	139,331	140,308
Total compensable workyears:				
Full-time equivalent employment .....	148,852	144,867	153,990	153,627
Full-time equivalent of overtime and holiday hours .....	2,754	2,775	2,765	2,755

## OPERATION AND MAINTENANCE, DEFENSE AGENCIES\*

\*See Part II for additional information.

For expenses, not otherwise provided for, necessary for the operation and maintenance of activities and agencies of the Department of Defense (other than the military departments), as authorized by law; [\$7,978,674,000: *Provided, That*] \$7,602,907,000, of which not to exceed [\$10,904,000] \$10,789,000 can be used for emergencies and extraordinary expenses, to be expended on the approval or authority of the Secretary of Defense, and payments may be made on his certificate of necessity for confidential military purposes: *Provided further, That* \$372,000 is available to the Office of Economic Adjustment for making community planning assistance grants pursuant to section 2391 of title 10, United States Code, and joint community/military planning assistance grants for mitigation of operational impacts from encroachment: *Provided further*, That not less than [\$116,465,000] \$139,285,000 shall be available only for the maintenance of real property facilities[: *Provided further, That* \$1,500,000 shall be transferred to the Department of Commerce, International Trade Administration, "Operations and administration", for export administration activities].

Further, for the foregoing purposes, and not to exceed \$11,691,000 can be used for emergencies and extraordinary expenses, to be expended on the approval or authority of the Secretary of Defense, and payments may be made on his certificate of necessity for confidential military purposes; \$7,800,619,000, to become available for obligation on October 1, 1988, of which not less than \$138,201,000 shall be available only for the maintenance of real property facilities. (Department of Defense Appropriations Act, 1987, as included in Public Laws 99-500 and 99-591, section 101(c); additional authorizing legislation to be proposed.)

## Program and Financing (in thousands of dollars)

Identification code	97-0100-0-1-051	1986 actual	1987 est.	1988 est.	1989 est.
Program by activities:					
Direct program:					
00.02	General purpose forces: Joint Chiefs of Staff .....	253,672	270,906	281,177	287,765
Intelligence and communications:					
00.03	Defense Investigative Service .....	136,288	152,899	159,904	165,515
00.03	Defense Mapping Agency .....	437,758	484,077	527,026	536,013
00.03	Defense Nuclear Agency .....	40,436	50,936	60,406	67,522
00.03	Intelligence and communications activities .....	1,966,236	2,290,211	2,586,112	2,619,533
00.07	Central supply and maintenance: Defense Logistics Agency .....	1,770,094	1,814,614	2,017,345	2,012,164
Training, medical, and other general personnel activities:					
00.08	Department of Defense Dependents Schools .....	662,843	779,930	949,148	1,019,677
00.08	American Forces Information Service .....	53,028	58,310	67,339	69,986
00.08	Defense Medical Systems Support Center .....	68,655	107,003	95,243	108,094
00.08	Uniformed Services University of the Health Sciences .....	28,990	34,892	36,636	38,029
00.08	Civilian Health and Medical Program of the Uniformed Services .....	1,734,239	1,540,901	83,866	86,766
Administration and associated activities:					
00.09	Secretary of Defense .....	107,827	114,250	143,885	155,839
00.09	Office of Economic Adjustment .....	13,750	18,172	18,583	18,655



00.09	Washington Headquarters Services.....	91,472	99,442	127,993	135,548
00.09	Joint Chiefs of Staff.....	51,743	55,281	57,839	62,583
00.09	Defense Contract Audit Agency.....	178,750	223,746	290,925	312,756
00.09	Defense Legal Services Agency.....	4,970	5,082	5,658	5,670
00.09	Office of the Inspector General.....	63,701	79,977	85,868	90,075
00.09	Defense Information Services activity.....	1,486	2,004	2,407	2,456
00.09	Defense Technology Security Administration.....	3,946	4,900	5,547	5,973
00.91	Total direct program.....	7,669,884	8,187,533	7,602,907	7,800,619
01.01	Reimbursable program.....	587,545	711,640	778,422	824,043
10.00	Total obligations.....	8,257,429	8,899,173	8,381,329	8,624,662
<b>Financing:</b>					
Offsetting collections from:					
11.00	Federal funds.....	-531,523	-685,229	-751,525	-796,705
13.00	Trust funds.....	-40,046	-7,569	-7,740	-7,740
14.00	Non-Federal sources.....	-15,976	-18,842	-19,157	-19,598
17.00	Recovery of prior year obligations.....	-147,415			
21.40	Unobligated balance available, start of year.....		-791		
22.40	Unobligated balance transferred, net.....	-308,782			
22.40	Portion applied to meet foreign currency fluctuations in expired accounts.....	10,900			
23.40	Reduction pursuant to P.L. 99-177 in unobligated balance.....	2,009			
24.40	Unobligated balance available, end of year.....	791			
25.00	Unobligated balance lapsing.....	33,242	791		
39.00	Budget authority.....	7,260,628	8,187,533	7,602,907	7,800,619
Budget authority:					
40.00	Appropriation.....	7,068,373	7,978,674	7,602,907	7,800,619
41.00	Transferred to other accounts.....	-9,200	-21,000		
42.00	Transferred from other accounts.....	201,455	125,099		
43.00	Appropriation (adjusted) Supplemental for wage-board pay raises.....	7,260,628	8,082,773	7,602,907	7,800,619
44.10	Supplemental for civilian pay raises.....		114		
44.20	Supplemental for retirement contributions.....		2,193		
44.40	Supplemental for retirement contributions (P.L. 99-335).....		102,453		
Relation of obligations to outlays:					
71.00	Obligations incurred, net.....	7,669,884	8,187,533	7,602,907	7,800,619
72.40	Obligated balance, start of year.....	1,265,625	1,256,296	1,428,529	1,478,736
74.40	Obligated balance, end of year.....	-1,256,296	-1,428,529	-1,478,736	-1,598,955
77.00	Adjustments in expired accounts.....	70,187			
78.00	Adjustments in unexpired accounts.....	-147,415			
89.00	Outlays.....	7,601,984	8,015,300	7,552,700	7,680,400
Outlays:					
90.00	Outlays, excluding pay and retirement supplementals.....	7,601,984	7,910,540	7,552,700	7,680,400
91.10	Outlays from wage-board pay raise supplemental.....		114		
91.20	Outlays from civilian pay raise supplemental.....		2,193		
91.40	Outlays from retirement contribution supplemental.....		102,453		

## SUMMARY OF BUDGET AUTHORITY AND OUTLAYS

[In thousands of dollars]					
Enacted/requested:	1986 actual	1987 est.	1988 est.	1989 est.	
Budget authority.....	7,260,628	8,187,533	7,602,907	7,800,619	
Outlays.....	7,601,984	8,015,300	7,552,700	7,680,400	
Supplemental—additional authorizing legislation required:					
Budget authority.....		357,000			
Outlays.....		357,000			
Total:					
Budget authority.....	7,260,628	8,544,533	7,602,907	7,800,619	
Outlays.....	7,601,984	8,372,300	7,552,700	7,680,400	

## Object Classification (in thousands of dollars)

Identification code	97-0100-0-1-051	1986 actual	1987 est.	1988 est.	1989 est.
Direct obligations:					
Personnel compensation:					
11.1	Full-time permanent.....	2,157,923	2,328,615	2,530,268	2,586,789
11.3	Other than full-time permanent.....	67,662	63,111	69,895	71,866
11.5	Other personnel compensation.....	80,217	81,813	88,267	88,535
11.8	Special personal services payments.....	858	1,129	1,157	1,207
11.9	Total personnel compensation.....	2,306,660	2,474,668	2,689,587	2,748,397
12.1	Personnel benefits: Civilian.....	317,351	370,710	485,622	515,966
13.0	Benefits for former personnel.....	136	358	479	349
21.0	Travel and transportation of persons.....	154,693	198,778	221,398	232,815
22.0	Transportation of things.....	294,273	309,328	319,138	329,047
23.1	Rental payments to GSA.....	56,436	61,464	74,036	78,645
23.2	Rental payments to others.....	141,360	191,458	224,721	233,560
23.3	Communications, utilities, and miscellaneous charges.....	155,141	125,571	135,662	140,634
24.0	Printing and reproduction.....	22,822	23,666	24,938	24,835
Other services:					
25.0	Payments to foreign national indirect hire personnel.....	27,058	48,136	57,154	59,814
25.0	Purchases from industrial funds.....	39,369	24,926	86,871	41,698
25.0	Contracts.....	988,632	1,274,972	1,406,633	1,418,205
25.0	Other.....	2,886,688	2,771,074	1,503,142	1,595,797
26.0	Supplies and materials.....	190,984	198,924	239,357	252,885
31.0	Equipment.....	81,082	112,212	132,149	125,805
41.0	Grants, subsidies, and contributions.....	7,199	1,288	2,020	2,167
99.0	Subtotal, direct obligations.....	7,669,884	8,187,533	7,602,907	7,800,619
99.0	Reimbursable obligations.....	587,545	711,640	778,422	824,043
99.9	Total obligations.....	8,257,429	8,899,173	8,381,329	8,624,662

## Personnel Summary

Total number of full-time permanent positions.....	87,761	91,673	93,530	93,967
Total compensable workyears:				
Full-time equivalent employment.....	89,161	91,320	93,822	94,647
Full-time equivalent of overtime and holiday hours.....	1,719	2,575	2,801	2,741

## OPERATION AND MAINTENANCE, ARMY RESERVE\*

\*See Part II for additional information.

For expenses, not otherwise provided for, necessary for the operation and maintenance, including training, organization, and administration, of the Army Reserve; repair of facilities and equipment; hire of passenger motor vehicles; travel and transportation; care of the dead; recruiting; procurement of services, supplies, and equipment; and communications; **[\$769,966,000] \$879,103,000**, of which not less than **[\$38,336,000] \$43,000,000** shall be available only for the maintenance of real property facilities.

Further, for the foregoing purposes, **\$958,229,000**, to become available for obligation on October 1, 1988, of which not less than **\$52,700,000** shall be available only for the maintenance of real property facilities. (5 U.S.C. 7903; 10 U.S.C. 1481-88, 3013-14, 3062, 4302, 4411-14, 4741; 37 U.S.C. 404; Department of Defense Appropriations Act, 1987, as included in Public Laws 99-500 and 99-591, section 101(c); additional authorizing legislation to be proposed.)

## Program and Financing (in thousands of dollars)

Identification code	21-2080-0-1-051	1986 actual	1987 est.	1988 est.	1989 est.
Program by activities:					
Direct program:					
00.01	Mission forces.....	411,155	469,236	516,852	555,318
00.02	Depot maintenance.....	6,013	10,510	10,278	11,149
00.03	Other support.....	323,772	300,375	351,973	391,762
00.91	Total direct program.....	740,940	780,121	879,103	958,229
01.01	Reimbursable program.....	21,515	11,184	9,120	10,237
10.00	Total obligations.....	762,455	791,305	888,223	968,466
Financing:					
Offsetting collections from:					
11.00	Federal funds.....	-20,429	-11,097	-9,033	-10,150
13.00	Trust funds.....	-93			
14.00	Non-Federal sources.....	-993	-87	-87	-87



## General and special funds—Continued

## OPERATION AND MAINTENANCE, ARMY RESERVE—Continued

## Program and Financing (in thousands of dollars)—Continued

Identification code	21-2080-0-1-051	1986 actual	1987 est.	1988 est.	1989 est.
17.00	Recovery of prior year obligations .....	-21,461			
22.40	Unobligated balance transferred, net .....	21,461			
25.00	Unobligated balance lapsing .....	935			
39.00	<b>Budget authority .....</b>	<b>741,875</b>	<b>780,121</b>	<b>879,103</b>	<b>958,229</b>
	Budget authority:				
40.00	Appropriation .....	741,875	769,966	879,103	958,229
42.00	Transferred from other accounts .....		5,188		
43.00	<b>Appropriation (adjusted) .....</b>	<b>741,875</b>	<b>775,154</b>	<b>879,103</b>	<b>958,229</b>
44.10	Supplemental for wage-board pay raises .....		32		
44.20	Supplemental for civilian pay raises .....		77		
44.40	Supplemental for retirement contributions (P.L. 99-335) .....		4,858		
	Relation of obligations to outlays:				
71.00	Obligations incurred, net .....	740,940	780,121	879,103	958,229
72.40	Obligated balance, start of year .....	182,903	190,784	258,405	306,008
74.40	Obligated balance, end of year .....	-190,784	-258,405	-306,008	-352,737
77.00	Adjustments in expired accounts .....	3,447			
78.00	Adjustments in unexpired accounts .....	-21,461			
89.00	<b>Outlays .....</b>	<b>715,044</b>	<b>712,500</b>	<b>831,500</b>	<b>911,500</b>
	Outlays:				
90.00	Outlays, excluding pay and retirement supplements .....	715,044	707,533	831,500	911,500
91.10	Outlays from wage-board pay raise supplemental .....		32		
91.20	Outlays from civilian pay raise supplemental .....		77		
91.40	Outlays from retirement contribution supplemental .....		4,858		

## SUMMARY OF BUDGET AUTHORITY AND OUTLAYS

(In thousands of dollars)

Enacted/requested:	1986 actual	1987 est.	1988 est.	1989 est.
Budget authority .....	741,875	780,121	879,103	958,229
Outlays .....	715,044	712,500	831,500	911,500
Supplemental—additional authorizing legislation required:				
Budget authority .....		15,000		
Outlays .....		15,000		
<b>Total:</b>				
Budget authority .....	741,875	795,121	879,103	958,229
Outlays .....	715,044	727,500	831,500	911,500

## Object Classification (in thousands of dollars)

Identification code	21-2080-0-1-051	1986 actual	1987 est.	1988 est.	1989 est.
	Direct obligations:				
	Personnel compensation:				
11.1	Full-time permanent .....	273,989	232,349	265,612	271,812
11.3	Other than full-time permanent .....	13,700	11,619	13,287	12,644
11.5	Other personnel compensation .....	6,955	5,896	6,743	7,854
11.9	Total personnel compensation .....	294,644	249,864	285,642	292,310
12.1	Personnel benefits: Civilian .....	40,292	40,768	61,266	65,445
13.0	Benefits for former personnel .....	20	29	29	29
21.0	Travel and transportation of persons .....	63,718	76,513	81,738	86,334
22.0	Transportation of things .....	3,240	3,319	3,220	3,270
23.2	Rental payments to others .....	61,649	67,093	78,201	85,226
24.0	Printing and reproduction .....	6,957	4,115	7,614	7,945
	Other services:				
25.0	Payments to foreign national indirect hire personnel .....	39	71	92	98
25.0	Purchases from industrial funds .....	8,416	8,479	9,298	11,169
25.0	Contracts .....	140,870	144,967	166,092	175,518
26.0	Supplies and materials .....	103,223	114,656	108,349	134,503
31.0	Equipment .....	17,872	70,247	77,562	96,382
99.0	Subtotal, direct obligations .....	740,940	780,121	879,103	958,229
99.0	Reimbursable obligations .....	21,515	11,184	9,120	10,237
99.9	<b>Total obligations .....</b>	<b>762,455</b>	<b>791,305</b>	<b>888,223</b>	<b>968,466</b>

## Personnel Summary

Total number of full-time permanent positions .....	12,486	11,558	12,866	13,296
Total compensable workyears:				
Full-time equivalent employment .....	13,658	11,445	13,049	13,468
Full-time equivalent of overtime and holiday hours .....	126	101	125	129

## OPERATION AND MAINTENANCE, NAVY RESERVE\*

\*See Part II for additional information.

For expenses, not otherwise provided for, necessary for the operation and maintenance, including training, organization, and administration, of the Navy Reserve; repair of facilities and equipment; hire of passenger motor vehicles; travel and transportation; care of the dead; recruiting; procurement of services, supplies, and equipment; and communications; **[\$884,097,000]** \$957,115,000, of which not less than **[\$37,248,000]** \$43,772,000 shall be available only for the maintenance of real property facilities.

Further, for the foregoing purposes, \$1,036,814,000, to become available for obligation on October 1, 1988, of which not less than \$48,149,000 shall be available only for the maintenance of real property facilities. (10 U.S.C. 262, 276, 503, 1481-88, 2110, 2202, 2231, 2233a, 2631-34, 5013, 5062, 5251, 6022; Department of Defense Appropriations Act, 1987, as included in Public Laws 99-500 and 99-591, section 101(c); additional authorizing legislation to be proposed.)

## Program and Financing (in thousands of dollars)

Identification code	17-1806-0-1-051	1986 actual	1987 est.	1988 est.	1989 est.
	Program by activities:				
	Direct program:				
00.01	Mission forces .....	503,940	562,342	577,102	645,871
00.02	Depot maintenance .....	110,088	93,018	124,099	128,687
00.03	Other support .....	213,893	231,401	255,914	262,256
00.91	Total direct program .....	827,921	886,761	957,115	1,036,814
01.01	Reimbursable program .....	16,274	16,100	16,050	15,050
10.00	<b>Total obligations .....</b>	<b>844,195</b>	<b>902,861</b>	<b>973,165</b>	<b>1,051,864</b>
	Financing:				
	Offsetting collections from:				
11.00	Federal funds .....	-14,938	-15,000	-15,000	-14,050
13.00	Trust funds .....	-18			
14.00	Non-Federal sources .....	-1,318	-1,100	-1,050	-1,000
17.00	Recovery of prior year obligations .....	-27,012			
22.40	Unobligated balance transferred, net .....	27,012			
25.00	Unobligated balance lapsing .....	23,176			
39.00	<b>Budget authority .....</b>	<b>851,097</b>	<b>886,761</b>	<b>957,115</b>	<b>1,036,814</b>
	Budget authority:				
40.00	Appropriation .....	851,097	884,097	957,115	1,036,814
42.00	Transferred from other accounts .....		1,329		
43.00	<b>Appropriation (adjusted) .....</b>	<b>851,097</b>	<b>885,426</b>	<b>957,115</b>	<b>1,036,814</b>
44.10	Supplemental for wage-board pay raises .....		5		
44.20	Supplemental for civilian pay raises .....		24		
44.40	Supplemental for retirement contributions (P.L. 99-335) .....		1,306		
	Relation of obligations to outlays:				
71.00	Obligations incurred, net .....	827,921	886,761	957,115	1,036,814
72.40	Obligated balance, start of year .....	328,218	408,007	483,868	561,983
74.40	Obligated balance, end of year .....	-408,007	-483,868	-561,983	-643,897
77.00	Adjustments in expired accounts .....	17,327			
78.00	Adjustments in unexpired accounts .....	-27,012			
89.00	<b>Outlays .....</b>	<b>738,447</b>	<b>810,900</b>	<b>879,000</b>	<b>954,900</b>
	Outlays:				
90.00	Outlays, excluding pay and retirement supplements .....	738,447	809,565	879,000	954,900
91.10	Outlays from wage-board pay raise supplemental .....		5		
91.20	Outlays from civilian pay raise supplemental .....		24		
91.40	Outlays from retirement contribution supplemental .....		1,306		



## SUMMARY OF BUDGET AUTHORITY AND OUTLAYS

[In thousands of dollars]				
Enacted/requested:	1986 actual	1987 est.	1988 est.	1989 est.
Budget authority.....	851,097	886,761	957,115	1,036,814
Outlays.....	738,447	810,900	879,000	954,900
Supplemental—additional authorizing legislation required:				
Budget authority.....		5,000		
Outlays.....		5,000		
Total:				
Budget authority.....	851,097	891,761	957,115	1,036,814
Outlays.....	738,447	815,900	879,000	954,900

## Object Classification (in thousands of dollars)

Identification code	17-1806-0-1-051	1986 actual	1987 est.	1988 est.	1989 est.
Direct obligations:					
Personnel compensation:					
11.1 Full-time permanent.....		56,499	61,089	63,666	64,142
11.3 Other than full-time permanent.....		4,338	3,353	3,407	3,381
11.5 Other personnel compensation.....		2,367	2,432	2,470	2,455
11.9 Total personnel compensation.....		63,204	66,874	69,543	69,978
12.1 Personnel benefits: Civilian.....		7,677	9,382	13,195	13,829
13.0 Benefits for former personnel.....		6			
21.0 Travel and transportation of persons.....		17,682	16,936	19,197	19,973
22.0 Transportation of things.....		1,128	1,004	1,048	1,067
23.2 Rental payments to others.....		34,089	38,812	43,715	46,836
24.0 Printing and reproduction.....		1,170	1,372	1,423	1,464
Other services:					
25.0 Payments to foreign national indirect hire personnel.....				2,565	2,671
25.0 Purchases from industrial funds.....		121,368	118,674	113,511	136,053
25.0 Contracts.....		248,564	295,714	281,259	296,682
25.0 Other.....		13,505	16,767	13,290	12,447
26.0 Supplies and materials.....		300,206	301,166	374,135	411,015
31.0 Equipment.....		19,322	20,060	24,234	24,799
99.0 Subtotal, direct obligations.....		827,921	886,761	957,115	1,036,814
99.0 Reimbursable obligations.....		16,274	16,100	16,050	15,050
99.9 Total obligations.....		844,195	902,861	973,165	1,051,864

## Personnel Summary

Total number of full-time permanent positions.....	2,849	3,018	3,010	3,000
Total compensable workyears:				
Full-time equivalent employment.....	3,035	3,140	3,155	3,145
Full-time equivalent of overtime and holiday hours.....	25	27	23	23

## OPERATION AND MAINTENANCE, MARINE CORPS RESERVE

For expenses, not otherwise provided for, necessary for the operation and maintenance, including training, organization, and administration, of the Marine Corps Reserve; repair of facilities and equipment; hire of passenger motor vehicles; travel and transportation; care of the dead; recruiting; procurement of services, supplies, and equipment; and communications; **[\$63,875,000]** \$71,361,000, of which not less than **[\$3,146,000]** \$4,038,000 shall be available only for the maintenance of real property facilities.

Further, for the foregoing purposes, \$85,160,000, to become available for obligation on October 1, 1988, of which not less than \$4,176,000 shall be available only for the maintenance of real property facilities. (10 U.S.C. 262, 276, 503, 1481-88, 2110, 2202, 2231, 2233a, 2631-34, 5013, 5062, 5252, 6022; Department of Defense Appropriations Act, 1987, as included in Public Laws 99-500 and 99-591, section 101(c); additional authorizing legislation to be proposed.)

## Program and Financing (in thousands of dollars)

Identification code	17-1107-0-1-051	1986 actual	1987 est.	1988 est.	1989 est.
Program by activities:					
Direct program:					
00.01 Mission forces.....		24,588	26,742	31,350	44,608
00.02 Depot maintenance.....		1,578	1,954	1,866	1,929
00.03 Other support.....		28,191	35,471	38,145	38,623
00.91 Total direct program.....		54,357	64,167	71,361	85,160

01.01 Reimbursable program.....	959	950	970	990
10.00 Total obligations.....	55,316	65,117	72,331	86,150
Financing:				
11.00 Offsetting collections from: Federal funds.....	— 959	— 950	— 970	— 990
17.00 Recovery of prior year obligations.....	— 3,350			
22.40 Unobligated balance transferred, net.....	3,350			
25.00 Unobligated balance lapsing.....	42			
39.00 Budget authority.....	54,399	64,167	71,361	85,160

Budget authority:				
40.00 Appropriation.....	54,399	63,875	71,361	85,160
42.00 Transferred from other accounts.....		154		
43.00 Appropriation (adjusted).....	54,399	64,029	71,361	85,160
44.20 Supplemental for civilian pay raises.....		3		
44.40 Supplemental for retirement contributions (P.L. 99-335).....		135		

Relation of obligations to outlays:				
71.00 Obligations incurred, net.....	54,357	64,167	71,361	85,160
72.40 Obligated balance, start of year.....	24,774	23,435	28,202	32,463
74.40 Obligated balance, end of year.....	— 23,435	— 28,202	— 32,463	— 38,923
77.00 Adjustments in expired accounts.....	667			
78.00 Adjustments in unexpired accounts.....	— 3,350			
89.00 Outlays.....	53,012	59,400	67,100	78,700

Outlays:				
90.00 Outlays, excluding pay and retirement supplements.....	53,012	59,262	67,100	78,700
91.20 Outlays from civilian pay raise supplemental.....		3		
91.40 Outlays from retirement contribution supplemental.....		135		

## Object Classification (in thousands of dollars)

Identification code	17-1107-0-1-051	1986 actual	1987 est.	1988 est.	1989 est.
Direct obligations:					
Personnel compensation:					
11.1 Full-time permanent.....		4,798	6,978	7,060	7,006
11.3 Other than full-time permanent.....		182			
11.5 Other personnel compensation.....		102	36	36	36
11.9 Total personnel compensation.....		5,082	7,014	7,096	7,042
12.1 Personnel benefits: Civilian.....		647	1,045	1,425	1,482
21.0 Travel and transportation of persons.....		6,347	5,852	6,141	6,353
22.0 Transportation of things.....		2,422	2,921	3,723	3,850
23.2 Rental payments to others.....		7,462	7,819	8,818	9,066
24.0 Printing and reproduction.....		444	458	474	490
Other services:					
25.0 Payments to foreign national indirect hire personnel.....		15,722			
25.0 Purchases from industrial funds.....			1,954	1,866	1,929
25.0 Contracts.....			16,529	17,222	17,582
26.0 Supplies and materials.....		14,331	17,581	21,352	34,297
31.0 Equipment.....		1,900	2,994	3,244	3,069
99.0 Subtotal, direct obligations.....		54,357	64,167	71,361	85,160
99.0 Reimbursable obligations.....		959	950	970	990
99.9 Total obligations.....		55,316	65,117	72,331	86,150

## Personnel Summary

Total number of full-time permanent positions.....	261	352	352	352
Total compensable workyears:				
Full-time equivalent employment.....	258	342	342	342
Full-time equivalent of overtime and holiday hours.....	1	1	1	1

## OPERATION AND MAINTENANCE, AIR FORCE RESERVE

For expenses, not otherwise provided for, necessary for the operation and maintenance, including training, organization, and administration of the Air Force Reserve; repair of facilities and equipment; hire of passenger motor vehicles; travel and transportation; care of the dead; recruiting; procurement of services, supplies, and equipment; and communications; **[\$911,200,000]** \$1,018,257,000, of which not less than **[\$22,969,000]** \$23,100,000 shall be available only for the



## General and special funds—Continued

## OPERATION AND MAINTENANCE, AIR FORCE RESERVE—Continued

maintenance of real property facilities.

Further, for the foregoing purposes, \$1,070,395,000, to become available for obligation on October 1, 1988, of which not less than \$22,800,000 shall be available only for the maintenance of real property facilities. (5 U.S.C. 7903; 10 U.S.C. 264, 276, 510-11, 1124, 1481-88, 2231-37, 8013, 8541-42, 8721-23, 9301-04, 9315, 9411-14, 9531, 9536, 9561-63, 9593, 9741, 9743; 37 U.S.C. 404-11; Department of Defense Appropriations Act, 1987, as included in Public Laws 99-500 and 99-591, section 101(c); additional authorizing legislation to be proposed.)

## Program and Financing (in thousands of dollars)

Identification code	57-3740-0-1-051	1986 actual	1987 est.	1988 est.	1989 est.
<b>Program by activities:</b>					
Direct program:					
00.01	Mission forces.....	560,885	588,320	655,206	688,592
00.02	Depot maintenance.....	146,206	180,097	189,576	205,645
00.03	Other support.....	150,264	164,050	173,475	176,158
00.91	Total direct program.....	857,355	932,467	1,018,257	1,070,395
01.01	Reimbursable program.....	8,389	8,500	28,600	33,300
10.00	Total obligations.....	865,744	940,967	1,046,857	1,103,695
<b>Financing:</b>					
Offsetting collections from:					
11.00	Federal funds.....	-7,640	-7,050	-27,125	-31,771
13.00	Trust funds.....	-440			
14.00	Non-Federal sources.....	-309	-1,450	-1,475	-1,529
17.00	Recovery of prior year obligations.....	-8,800			
22.40	Unobligated balance transferred, net.....	8,800			
25.00	Unobligated balance lapsing.....	1,140			
39.00	Budget authority.....	858,495	932,467	1,018,257	1,070,395
<b>Budget authority:</b>					
40.00	Appropriation.....	858,495	911,200	1,018,257	1,070,395
42.00	Transferred from other accounts.....		8,515		
43.00	Appropriation (adjusted).....	858,495	919,715	1,018,257	1,070,395
44.10	Supplemental for wage-board pay raises.....		124		
44.20	Supplemental for civilian pay raises.....		157		
44.40	Supplemental for retirement contributions (P.L. 99-335).....		12,471		
<b>Relation of obligations to outlays:</b>					
71.00	Obligations incurred, net.....	857,355	932,467	1,018,257	1,070,395
72.40	Obligated balance, start of year.....	215,231	150,035	183,902	208,959
74.40	Obligated balance, end of year.....	-150,035	-183,902	-208,959	-233,254
77.00	Adjustments in expired accounts.....	-3,460			
78.00	Adjustments in unexpired accounts.....	-8,800			
89.00	Outlays.....	910,291	898,600	993,200	1,046,100
<b>Outlays:</b>					
90.00	Outlays, excluding pay and retirement supplementals.....	910,291	885,848	993,200	1,046,100
91.10	Outlays from wage-board pay raise supplemental.....		124		
91.20	Outlays from civilian pay raise supplemental.....		157		
91.40	Outlays from retirement contribution supplemental.....		12,471		

## Object Classification (in thousands of dollars)

Identification code	57-3740-0-1-051	1986 actual	1987 est.	1988 est.	1989 est.
<b>Direct obligations:</b>					
Personnel compensation:					
11.1	Full-time permanent.....	316,555	332,726	353,227	362,491
11.5	Other personnel compensation.....	8,580	9,105	10,004	10,435
11.9	Total personnel compensation.....	325,135	341,831	363,231	372,926
12.1	Personnel benefits: Civilian.....	45,109	60,122	92,446	103,257
13.0	Benefits for former personnel.....	11	85	97	108
21.0	Travel and transportation of persons.....	7,791	8,634	8,839	8,867
22.0	Transportation of things.....	3,741	10,082	10,285	10,589
23.2	Rental payments to others.....	3,725	4,458	4,466	4,536

23.3	Communications, utilities, and miscellaneous charges.....	13,791	16,836	18,532	19,189
24.0	Printing and reproduction.....	673	768	972	1,010
Other services:					
25.0	Purchases from industrial funds.....	233,660	274,530	277,563	293,007
25.0	Contracts.....	35,374	48,760	47,015	48,842
25.0	Other.....	2,440	3,318	3,184	3,369
26.0	Supplies and materials.....	174,906	151,516	179,141	192,172
31.0	Equipment.....	10,999	11,527	12,486	12,523
99.0	Subtotal, direct obligations.....	857,355	932,467	1,018,257	1,070,395
99.0	Reimbursable obligations.....	8,389	8,500	28,600	33,300
99.9	Total obligations.....	865,744	940,967	1,046,857	1,103,695

## Personnel Summary

Total number of full-time permanent positions.....	12,845	13,405	14,128	14,324
Total compensable workyears:				
Full-time equivalent employment.....	13,162	13,373	13,968	14,444
Full-time equivalent of overtime and holiday hours.....	160	160	160	160

## OPERATION AND MAINTENANCE, ARMY NATIONAL GUARD\*

\*See Part II for additional information.

For expenses of training, organizing, and administering the Army National Guard, including medical and hospital treatment and related expenses in non-Federal hospitals; maintenance, operation, and repairs to structures and facilities; hire of passenger motor vehicles; personnel services in the National Guard Bureau; travel expenses (other than mileage), as authorized by law for Army personnel on active duty, for Army National Guard division, regimental, and battalion commanders while inspecting units in compliance with National Guard Bureau regulations when specifically authorized by the Chief, National Guard Bureau; supplying and equipping the Army National Guard as authorized by law; and expenses of repair, modification, maintenance, and issue of supplies and equipment (including aircraft); [\$1,734,447,000] \$1,862,152,000, of which not less than [\$56,300,000] \$88,900,000 shall be available only for the maintenance of real property facilities.

Further, for the foregoing purposes, \$2,055,011,000, to become available for obligation on October 1, 1988, of which not less than \$101,900,000 shall be available only for the maintenance of real property facilities. (5 U.S.C. 7903; 10 U.S.C. 261-80, 2231-38, 2511, 4651; 32 U.S.C. 701-02, 709; Department of Defense Appropriations Act, 1987, as included in Public Laws 99-500 and 99-591, section 101(c); additional authorizing legislation to be proposed.)

## Program and Financing (in thousands of dollars)

Identification code	21-2065-0-1-051	1986 actual	1987 est.	1988 est.	1989 est.
<b>Program by activities:</b>					
Direct program:					
00.01	Training operations.....	237,874	274,292	287,333	319,623
00.02	Logistical support.....	1,172,797	1,283,019	1,355,486	1,491,615
00.03	Headquarters and command support.....	141,114	180,520	195,742	217,322
00.04	Medical support.....	14,528	21,427	23,591	26,451
00.91	Total direct program.....	1,566,313	1,759,258	1,862,152	2,055,011
01.01	Reimbursable program.....	28,614	28,000	28,600	29,200
10.00	Total obligations.....	1,594,927	1,787,258	1,890,752	2,084,211
<b>Financing:</b>					
Offsetting collections from:					
11.00	Federal funds.....	-27,639	-27,160	-27,742	-28,324
14.00	Non-Federal sources.....	-975	-840	-858	-876
17.00	Recovery of prior year obligations.....	-31,232			
22.40	Unobligated balance transferred, net.....	31,232			
25.00	Unobligated balance lapsing.....	6,825			
39.00	Budget authority.....	1,573,137	1,759,258	1,862,152	2,055,011
<b>Budget authority:</b>					
40.00	Appropriation.....	1,573,137	1,734,447	1,862,152	2,055,011
42.00	Transferred from other accounts.....		11,860		
43.00	Appropriation (adjusted).....	1,573,137	1,746,307	1,862,152	2,055,011



44.10	Supplemental for wage-board pay raises.....		151		
44.20	Supplemental for civilian pay raises.....		134		
44.40	Supplemental for retirement contributions (P.L. 99-335).....		12,666		
Relation of obligations to outlays:					
71.00	Obligations incurred, net.....	1,566,313	1,759,258	1,862,152	2,055,011
72.40	Obligated balance, start of year.....	360,830	401,398	494,256	572,308
74.40	Obligated balance, end of year.....	-401,398	-494,256	-572,308	-669,919
77.00	Adjustments in expired accounts.....	-3,961			
78.00	Adjustments in unexpired accounts.....	-31,232			
89.00	Outlays.....	1,490,552	1,666,400	1,784,100	1,957,400
Outlays:					
90.00	Outlays, excluding pay and retirement supplementals.....	1,490,552	1,653,449	1,784,100	1,957,400
91.10	Outlays from wage-board pay raise supplemental.....		151		
91.20	Outlays from civilian pay raise supplemental.....		134		
91.40	Outlays from retirement contribution supplemental.....		12,666		

## SUMMARY OF BUDGET AUTHORITY AND OUTLAYS

[in thousands of dollars]				
Enacted/requested:	1986 actual	1987 est.	1988 est.	1989 est.
Budget authority.....	1,573,137	1,759,258	1,862,152	2,055,011
Outlays.....	1,490,552	1,666,400	1,784,100	1,957,400
Supplemental—additional authorizing legislation required:				
Budget authority.....		10,000		
Outlays.....		10,000		
Total:				
Budget authority.....	1,573,137	1,769,258	1,862,152	2,055,011
Outlays.....	1,490,552	1,676,400	1,784,100	1,957,400

## Object Classification (in thousands of dollars)

Identification code	21-2065-0-1-051	1986 actual	1987 est.	1988 est.	1989 est.
Direct obligations:					
Personnel compensation:					
11.1	Full-time permanent.....	591,848	612,599	631,793	642,582
11.3	Other than full-time permanent.....	33,383	34,514	35,596	36,203
11.5	Other personnel compensation.....	3,890	4,103	4,231	4,304
11.9	Total personnel compensation.....	629,121	651,216	671,620	683,089
12.1	Personnel benefits: Civilian.....	88,519	109,539	148,975	158,310
13.0	Benefits for former personnel.....	823	805	846	856
21.0	Travel and transportation of persons.....	29,320	44,206	50,294	61,571
22.0	Transportation of things.....	20,284	20,206	24,418	27,363
23.2	Rental payments to others.....	38,456	77,862	90,647	105,977
24.0	Printing and reproduction.....	5,712	11,148	11,949	14,008
Other services:					
25.0	Purchases from industrial funds.....	51,811	53,896	61,653	68,012
25.0	Contracts.....	257,800	273,041	272,372	293,806
26.0	Supplies and materials.....	268,697	444,467	437,051	533,658
31.0	Equipment.....	175,770	72,872	92,327	108,361
99.0	Subtotal, direct obligations.....	1,566,313	1,759,258	1,862,152	2,055,011
99.0	Reimbursable obligations.....	28,614	28,000	28,600	29,200
99.9	Total obligations.....	1,594,927	1,787,258	1,890,752	2,084,211

## Personnel Summary

Total number of full-time permanent positions.....	25,064	27,532	28,026	28,526
Total compensable workyears:				
Full-time equivalent employment.....	26,837	27,022	27,451	28,105
Full-time equivalent of overtime and holiday hours.....	1	1	1	1

## OPERATION AND MAINTENANCE, AIR NATIONAL GUARD

For operation and maintenance of the Air National Guard, including medical and hospital treatment and related expenses in non-Federal hospitals; maintenance, operation, repair, and other necessary expenses of facilities for the training and administration of the

Air National Guard, including repair of facilities, maintenance, operation, and modification of aircraft; transportation of things; hire of passenger motor vehicles; supplies, materials, and equipment, as authorized by law for the Air National Guard; and expenses incident to the maintenance and use of supplies, materials, and equipment, including such as may be furnished from stocks under the control of agencies of the Department of Defense; travel expenses (other than mileage) on the same basis as authorized by law for Air National Guard personnel on active Federal duty, for Air National Guard commanders while inspecting units in compliance with National Guard regulations when specifically authorized by the Chief, National Guard Bureau; **[\$1,755,658,000] \$1,972,992,000**, of which not less than **[\$41,000,000] \$41,000,000** shall be available only for the maintenance of real property facilities.

Further, for the foregoing purposes, **\$2,030,888,000**, to become available for obligation on October 1, 1988, of which not less than **\$38,000,000** shall be available only for the maintenance of real property facilities. (5 U.S.C. 7903; 10 U.S.C. 261-80, 2231-38, 2511, 8012, 8721-22, 9741, 9743; 32 U.S.C. 106, 107, 320, 701-03, 709; 37 U.S.C. 404-11; Department of Defense Appropriations Act, 1987, as included in Public Laws 99-500 and 99-591, section 101(c); additional authorizing legislation to be proposed.)

## Program and Financing (in thousands of dollars)

Identification code	57-3840-0-1-051	1986 actual	1987 est.	1988 est.	1989 est.
Program by activities:					
Direct program:					
00.01	Mission forces.....	1,285,755	1,307,284	1,476,253	1,534,374
00.02	Depot maintenance.....	322,386	366,541	389,668	394,285
00.03	Other support.....	115,195	121,703	107,071	102,229
00.91	Total direct program.....	1,723,336	1,795,528	1,972,992	2,030,888
01.01	Reimbursable program.....	17,205	18,800	32,847	34,999
10.00	Total obligations.....	1,740,541	1,814,328	2,005,839	2,065,887
Financing:					
Offsetting collections from:					
11.00	Federal funds.....	-14,621	-16,174	-30,124	-32,189
13.00	Trust funds.....	-31			
14.00	Non-Federal sources.....	-2,553	-2,626	-2,723	-2,810
17.00	Recovery of prior year obligations.....	-16,600			
22.40	Unobligated balance transferred, net.....	16,600			
25.00	Unobligated balance lapsing.....	562			
39.00	Budget authority.....	1,723,898	1,795,528	1,972,992	2,030,888
Budget authority:					
40.00	Appropriation.....	1,717,698	1,755,658	1,972,992	2,030,888
42.00	Transferred from other accounts.....	6,200	11,773		
43.00	Appropriation (adjusted).....	1,723,898	1,767,431	1,972,992	2,030,888
44.10	Supplemental for wage-board pay raises.....		308		
44.20	Supplemental for civilian pay raises.....		310		
44.40	Supplemental for retirement contributions (P.L. 99-335).....		27,479		
Relation of obligations to outlays:					
71.00	Obligations incurred, net.....	1,723,336	1,795,528	1,972,992	2,030,888
72.40	Obligated balance, start of year.....	350,236	316,488	365,716	419,008
74.40	Obligated balance, end of year.....	-316,488	-365,716	-419,008	-454,196
77.00	Adjustments in expired accounts.....	2,846			
78.00	Adjustments in unexpired accounts.....	-16,600			
89.00	Outlays.....	1,743,331	1,746,300	1,919,700	1,995,700
Outlays:					
90.00	Outlays, excluding pay and retirement supplementals.....	1,743,331	1,718,203	1,919,700	1,995,700
91.10	Outlays from wage-board pay raise supplemental.....		308		
91.20	Outlays from civilian pay raise supplemental.....		310		
91.40	Outlays from retirement contribution supplemental.....		27,479		



## General and special funds—Continued

## OPERATION AND MAINTENANCE, AIR NATIONAL GUARD—Continued

## Object Classification (in thousands of dollars)

Identification code	57-3840-0-1-051	1986 actual	1987 est.	1988 est.	1989 est.
Direct obligations:					
Personnel compensation:					
11.1	Full-time permanent	626,580	666,606	682,309	677,850
11.5	Other personnel compensation	12,946	13,425	13,961	13,888
11.9	Total personnel compensation	639,526	680,031	696,270	691,738
12.1	Personnel benefits: Civilian	85,255	111,017	180,844	192,100
13.0	Benefits for former personnel	394	434	445	443
21.0	Travel and transportation of persons	16,486	18,149	18,367	18,574
22.0	Transportation of things	8,468	13,889	13,436	13,640
23.2	Rental payments to others	7,827	9,848	6,852	7,116
23.3	Communications, utilities, and miscellaneous charges	37,193	37,296	34,656	35,919
24.0	Printing and reproduction	1,152	1,634	1,545	1,609
Other services:					
25.0	Purchases from industrial funds	309,234	354,467	378,755	382,856
25.0	Contracts	148,865	183,148	171,105	182,917
26.0	Supplies and materials	450,317	367,664	456,125	490,097
31.0	Equipment	18,619	17,951	14,592	13,879
99.0	Subtotal, direct obligations	1,723,336	1,795,528	1,972,992	2,030,888
99.0	Reimbursable obligations	17,205	18,800	32,847	34,999
99.9	Total obligations	1,740,541	1,814,328	2,005,839	2,065,887

## Personnel Summary

Total number of full-time permanent positions	23,540	24,317	24,309	24,323
Total compensable workyears:				
Full-time equivalent employment	24,399	25,125	25,338	25,369
Full-time equivalent of overtime and holiday hours	99	113	115	114

## NATIONAL BOARD FOR THE PROMOTION OF RIFLE PRACTICE, ARMY

For the necessary expenses and personnel services (other than pay and non-travel related allowances of members of the Armed Forces of the United States, except for members of the Reserve components thereof called or ordered to active duty to provide support for the national matches) in accordance with law, for construction, equipment, and maintenance of rifle ranges; the instruction of citizens in marksmanship; the promotion of rifle practice; the conduct of the national matches; the issuance of ammunition under the authority of title 10, United States Code, sections 4308 and 4311; [and] the travel of rifle teams, military personnel, and individuals attending regional, national, and international competitions; and the payment to competitors at national matches under section 4312 of title 10, United States Code, of subsistence and travel allowances in excess of the amounts provided under section 4313 of title 10, United States Code; not to exceed \$4,316,000] \$4,099,000, of which not to exceed \$7,500 shall be available for incidental expenses of the National Board: *Provided*, That competitors at national matches under title 10, United States Code, section 4312, may be paid subsistence and travel allowances in excess of the amounts provided under title 10, United States Code, section 4313.]

Further, for the foregoing purposes, \$4,285,000, to become available for obligation on October 1, 1988, of which not to exceed \$7,500 shall be available for incidental expenses of the National Board. (10 U.S.C. 4307-13; 32 U.S.C. 316; Department of Defense Appropriations Act, 1987, as included in Public Laws 99-500 and 99-591, section 101(c); additional authorizing legislation to be proposed.)

## Program and Financing (in thousands of dollars)

Identification code	21-1705-0-1-051	1986 actual	1987 est.	1988 est.	1989 est.
Program by activities:					
10.00	Total obligations	872	4,332	4,099	4,285
Financing:					
25.00	Unobligated balance lapsing	3			
39.00	Budget authority	875	4,332	4,099	4,285

## Budget authority:

40.00	Appropriation	875	4,316	4,099	4,285
42.00	Transferred from other accounts		9		
43.00	Appropriation (adjusted)	875	4,325	4,099	4,285
44.40	Supplemental for retirement contributions (P.L. 99-335)		7		

## Relation of obligations to outlays:

71.00	Obligations incurred, net	872	4,332	4,099	4,285
72.40	Obligated balance, start of year	95	266	1,498	1,697
74.40	Obligated balance, end of year	-266	-1,498	-1,697	-1,782
77.00	Adjustments in expired accounts	-33			
89.00	Outlays	667	3,100	3,900	4,200

## Outlays:

90.00	Outlays, excluding retirement contribution supplemental	667	3,093	3,900	4,200
91.40	Outlays from retirement contribution supplemental		7		

## Object Classification (in thousands of dollars)

Identification code	21-1705-0-1-051	1986 actual	1987 est.	1988 est.	1989 est.
Personnel compensation:					
11.1	Full-time permanent	241	666	671	667
11.3	Other than full-time permanent	19	52	52	52
11.5	Other personnel compensation	57	157	159	158
11.9	Total personnel compensation	317	875	882	877
12.1	Personnel benefits: Civilian	36	122	150	154
21.0	Travel and transportation of persons	214	266	266	266
22.0	Transportation of things	12	20	20	20
23.3	Communications, utilities, and miscellaneous charges	62	135	135	135
Other services:					
25.0	Contracts	26	77	77	77
25.0	Other	48	2,687	2,419	2,606
26.0	Supplies and materials	139	150	150	150
31.0	Equipment	18			
99.9	Total obligations	872	4,332	4,099	4,285

## Personnel Summary

Total number of full-time permanent positions	16	37	37	37
Total compensable workyears:				
Full-time equivalent employment	16	37	37	37
Full-time equivalent of overtime and holiday hours	1	5	5	5

## CLAIMS, DEFENSE

For payment, not otherwise provided for, of claims authorized by law to be paid by the Department of Defense (except for civil functions), including claims for damages arising under training contracts with carriers, and repayment of amounts determined by the Secretary concerned, or officers designated by him, to have been erroneously collected from military and civilian personnel of the Department of Defense, or from States, territories, or the District of Columbia, or members of the National Guard units thereof; [\$144,400,000: *Provided*, That section 4 of chapter III of Public Law 99-349 is amended by adding before the period at the end thereof the following: "without a determination of legal liability based on an act or omission of an agent or employee of the Federal Government": *Provided further*, That the Secretary of the Navy is authorized and directed to pay from previously authorized and appropriated funds not to exceed \$10,000,000 to reimburse upon verification, the business entity responsible for performance of construction of the Norfolk Navy Steam Plant for losses incurred by said entity arising out of construction according to drawings reviewed and approved by the Navy and issued or released for construction in said performance] \$273,574,000.

Further, for the foregoing purposes, \$211,152,000, to become available for obligation on October 1, 1988. (Department of Defense Appropriations Act, 1987, as included in Public Laws 99-500 and 99-591, section 101(c); additional authorizing legislation to be proposed.)



## Program and Financing (in thousands of dollars)

Identification code	97-0102-0-1-051	1986 actual	1987 est.	1988 est.	1989 est.
<b>Program by activities:</b>					
00.01	Personnel claims.....	103,662	122,517	130,191	138,329
00.02	Tort claims.....	38,039	19,324	140,833	70,191
00.03	Admiralty claims.....	752	2,123	2,098	2,165
00.04	Other miscellaneous claims.....	439	436	452	467
10.00	Total obligations (object class 42.0)	142,892	144,400	273,574	211,152
<b>Financing:</b>					
17.00	Recovery of prior year obligations.....	-17,507			
22.40	Unobligated balance transferred, net.....	17,507			
25.00	Unobligated balance lapsing.....	408			
40.00	Budget authority (appropriation)	143,300	144,400	273,574	211,152
<b>Relation of obligations to outlays:</b>					
71.00	Obligations incurred, net.....	142,892	144,400	273,574	211,152
72.40	Obligated balance, start of year.....	12,020	12,268	12,568	21,742
74.40	Obligated balance, end of year.....	-12,268	-12,568	-21,742	-19,994
77.00	Adjustments in expired accounts.....	17,049			
78.00	Adjustments in unexpired accounts.....	-17,507			
90.00	Outlays.....	142,187	144,100	264,400	212,900

## COURT OF MILITARY APPEALS, DEFENSE

For salaries and expenses necessary for the United States Court of Military Appeals; [\$3,200,000] \$3,461,000, and not to exceed \$1,500 can be used for official representation purposes.

Further, for the foregoing purposes, \$3,522,000, to become available for obligation on October 1, 1988, and not to exceed \$1,500 can be used for official representation purposes. (10 U.S.C. 867; Department of Defense Appropriations Act, 1987, as included in Public Laws 99-500 and 99-591, section 101(c); additional authorizing legislation to be proposed.)

## Program and Financing (in thousands of dollars)

Identification code	97-0104-0-1-051	1986 actual	1987 est.	1988 est.	1989 est.
<b>Program by activities:</b>					
10.00	Total obligations.....	2,677	3,237	3,461	3,522
<b>Financing:</b>					
17.00	Recovery of prior year obligations.....	-1,267			
22.40	Unobligated balance transferred, net.....	1,267			
25.00	Unobligated balance lapsing.....	366			
39.00	Budget authority.....	3,043	3,237	3,461	3,522
<b>Budget authority:</b>					
40.00	Appropriation.....	3,043	3,200	3,461	3,522
44.20	Supplemental for civilian pay raises.....		1		
44.40	Supplemental for retirement contributions (P.L. 99-335).....		36		
<b>Relation of obligations to outlays:</b>					
71.00	Obligations incurred, net.....	2,677	3,237	3,461	3,522
72.40	Obligated balance, start of year.....	451	439	476	537
74.40	Obligated balance, end of year.....	-439	-476	-537	-559
77.00	Adjustments in expired accounts.....	1,191			
78.00	Adjustments in unexpired accounts.....	-1,267			
89.00	Outlays.....	2,613	3,200	3,400	3,500
<b>Outlays:</b>					
90.00	Outlays, excluding pay and retirement supplementals.....	2,613	3,163	3,400	3,500
91.20	Outlays from civilian pay raise supplemental.....		1		
91.40	Outlays from retirement contribution supplemental.....		36		

## Object Classification (in thousands of dollars)

Identification code	97-0104-0-1-051	1986 actual	1987 est.	1988 est.	1989 est.
<b>Personnel compensation:</b>					
11.1	Full-time permanent.....	1,605	1,928	1,939	1,923
11.3	Other than full-time permanent.....	18			
11.5	Other personnel compensation.....		16	26	26
11.9	Total personnel compensation.....	1,623	1,944	1,965	1,949
12.1	Personnel benefits: Civilian.....	161	237	336	356
21.0	Travel and transportation of persons.....	35	34	51	54
23.1	Rental payments to GSA.....	421	494	494	494
23.3	Communications, utilities, and miscellaneous charges.....	38	56	81	87
24.0	Printing and reproduction.....	7	8	10	12
25.0	Other services: Other.....	163	212	159	173
26.0	Supplies and materials.....	194	216	248	279
31.0	Equipment.....	35	36	117	118
99.9	Total obligations.....	2,677	3,237	3,461	3,522

## Personnel Summary

Total number of full-time permanent positions.....	41	49	49	49
Total compensable workyears: Full-time equivalent employment.....	41	46	46	46

## FOREIGN CURRENCY FLUCTUATIONS, DEFENSE

## Program and Financing (in thousands of dollars)

Identification code	97-0801-0-1-051	1986 actual	1987 est.	1988 est.	1989 est.
<b>Financing:</b>					
21.40	Unobligated balance available, start of year.....	-1,319,928	-418,291	-173,291	-173,291
22.40	Unobligated balance transferred, net.....	885,663	245,000		
23.40	Reduction pursuant to P.L. 99-177 in unobligated balance.....	15,974			
24.40	Unobligated balance available, end of year.....	418,291	173,291	173,291	173,291
39.00	Budget authority.....				
<b>Relation of obligations to outlays:</b>					
71.00	Obligations incurred, net.....				
90.00	Outlays.....				

The purpose of this account is to allow transfers to operation and maintenance appropriations available for Defense activities in foreign countries to finance upward adjustment of recorded obligations due to foreign currency fluctuations above the budget rate. Transfers are made, as needed, to meet disbursement requirements in excess of funds otherwise available for obligation adjustment. Net gains from exchange are returned to this appropriation and are available for subsequent transfer when needed.

## SUMMER OLYMPICS

## Program and Financing (in thousands of dollars)

Identification code	21-2087-0-1-051	1986 actual	1987 est.	1988 est.	1989 est.
<b>Financing:</b>					
17.00	Recovery of prior year obligations.....	-18,100			
22.40	Unobligated balance transferred, net.....	18,100			
39.00	Budget authority.....				
<b>Relation of obligations to outlays:</b>					
71.00	Obligations incurred, net.....				
72.40	Obligated balance, start of year.....	2,465	1,149	1,149	1,149
74.40	Obligated balance, end of year.....	-1,149	-1,149	-1,149	-1,149



## General and special funds—Continued

## SUMMER OLYMPICS—Continued

## Program and Financing (in thousands of dollars)—Continued

Identification code	21-2087-0-1-051	1986 actual	1987 est.	1988 est.	1989 est.
77.00	Adjustments in expired accounts .....	17,144			
78.00	Adjustments in unexpired accounts .....	-18,100			
90.00	Outlays .....	359			

## [TENTH INTERNATIONAL PAN AMERICAN GAMES]

For logistical support and personnel services (other than pay and non-travel related allowances of members of the Armed Forces of the United States, except for members of the Reserve components thereof called or ordered to active duty to provide support for the Tenth International Pan American Games) provided by any component of the Department of Defense to the Tenth International Pan American Games; \$15,000,000. (Department of Defense Appropriations Act, 1987, as included in Public Laws 99-500 and 99-591, section 101(c).)

## Program and Financing (in thousands of dollars)

Identification code	97-0812-0-1-051	1986 actual	1987 est.	1988 est.	1989 est.
<b>Program by activities:</b>					
10.00	Total obligations (object class 25.0) .....	6,456	18,000		
<b>Financing:</b>					
21.40	Unobligated balance available, start of year .....		-3,000		
24.40	Unobligated balance available, end of year .....	3,000			
25.00	Unobligated balance lapsing .....	54			
40.00	Budget authority (appropriation) .....	9,510	15,000		
<b>Relation of obligations to outlays:</b>					
71.00	Obligations incurred, net .....	6,456	18,000		
72.40	Obligated balance, start of year .....		6,424	12,824	1,224
74.40	Obligated balance, end of year .....	-6,424	-12,824	-1,224	-924
90.00	Outlays .....	32	11,600	11,600	300

## ENVIRONMENTAL RESTORATION, DEFENSE

## (INCLUDING TRANSFER OF FUNDS)

For the Department of Defense; [\$375,900,000] \$402,800,000, to remain available until transferred and, further, \$436,100,000, to become available for transfer on October 1, 1988 and to remain available until transferred: Provided, That the Secretary of Defense shall, upon determining that such funds are required for environmental restoration, reduction and recycling of hazardous waste, research and development associated with hazardous wastes and removal of unsafe buildings and debris of the Department of Defense, or for similar purposes (including programs and operations at sites formerly used by the Department of Defense), transfer the funds made available by this appropriation to other appropriations made available to the Department of Defense as the Secretary may designate, to be merged with and to be available for the same purposes and for the same time period as the appropriations of funds to which transferred: *Provided further*, That upon a determination that all or part of the funds transferred pursuant to this provision are not necessary for the purposes provided herein, such amounts may be transferred back to this appropriation. (Department of Defense Appropriations Act, 1987, as included in Public Laws 99-500 and 99-591, section 101(c); additional authorizing legislation to be proposed.)

## Program and Financing (in thousands of dollars)

Identification code	97-0810-0-1-051	1986 actual	1987 est.	1988 est.	1989 est.
<b>Program by activities:</b>					
10.00	Total obligations (object class 25.0) .....			402,800	436,100
<b>Financing:</b>					
17.00	Recovery of prior year obligations .....	-8,532			
21.40	Unobligated balance available, start of year .....		-1,318		

22.40	Unobligated balance transferred, net .....	8,532	1,318		
24.40	Unobligated balance available, end of year .....	1,318			
39.00	Budget authority .....	1,318		402,800	436,100
<b>Budget authority:</b>					
40.00	Appropriation .....	360,524	375,900	402,800	436,100
41.00	Transferred to other accounts .....	-366,624	-375,900		
42.00	Transferred from other accounts .....	7,418			
43.00	Appropriation (adjusted) .....	1,318		402,800	436,100
<b>Relation of obligations to outlays:</b>					
71.00	Obligations incurred, net .....			402,800	436,100
72.40	Obligated balance, start of year .....	272,631	103,742	40,742	403,542
74.40	Obligated balance, end of year .....	-103,742	-40,742	-403,542	-547,955
77.00	Adjustments in expired accounts .....	10,285			2,213
78.00	Adjustments in unexpired accounts .....	-8,532			
90.00	Outlays .....	170,642	63,000	40,000	293,900

## [HUMANITARIAN ASSISTANCE]

## [(INCLUDING TRANSFER OF FUNDS)]

For transportation for humanitarian relief for refugees of Afghanistan, acquisition of transportation assets to assist in the distribution of such relief, and distribution of excess nonlethal supplies for worldwide humanitarian relief, as authorized by law; \$10,000,000: *Provided*, That not more than \$2,500,000 may be transferred to the Secretary of State to provide for necessary expenses related to the transportation of humanitarian relief: *Provided further*, That of the funds provided under "Operation and Maintenance, Air Force" in Public Law 99-190, \$7,000,000 shall remain available for obligation until September 30, 1987, for nonlethal aid to Afghanistan. (Department of Defense Appropriations Act, 1987, as included in Public Laws 99-500 and 99-591, section 101(c).)

## Program and Financing (in thousands of dollars)

Identification code	97-0819-0-1-051	1986 actual	1987 est.	1988 est.	1989 est.
<b>Program by activities:</b>					
10.00	Total obligations (object class 25.0) .....		10,000		
<b>Financing:</b>					
40.00	Budget authority (appropriation) .....		10,000		
<b>Relation of obligations to outlays:</b>					
71.00	Obligations incurred, net .....		10,000		
72.40	Obligated balance, start of year .....			5,000	2,000
74.40	Obligated balance, end of year .....		-5,000	-2,000	-500
90.00	Outlays .....		5,000	3,000	1,500

## CIVILIAN AND MILITARY PAY RAISES\*

\*This account was created to implement section 9094 of the Department of Defense Appropriations Act, 1987, as included in Public Laws 99-500 and 99-591, section 101(c).

## Program and Financing (in thousands of dollars)

Identification code	97-0823-0-1-051	1986 actual	1987 est.	1988 est.	1989 est.
<b>Budget authority:</b>					
40.00	Appropriation .....		1,911,000		
41.00	Transferred to other accounts .....		-1,911,000		
43.00	Appropriation (adjusted) .....				
<b>Relation of obligations to outlays:</b>					
71.00	Obligations incurred, net .....				
90.00	Outlays .....				

## ALLOCATIONS RECEIVED FROM OTHER ACCOUNTS

Note.—Obligations incurred under allocations from other accounts are shown in the schedules of parent appropriations, as follows:  
Funds appropriated to the President:  
"Military assistance, Executive."  
"International military education and training."



"Foreign military credit sales."

"Advances, foreign military sales, Executive."

Executive Office of the President: Official residence of the Vice President, "Operating expenses."

Department of Energy: "Operation and research."

Department of Transportation, Federal Aviation Administration: "Operations, Federal Aviation Administration."

National Aeronautics and Space Administration: "Research and development."

## PROCUREMENT

The procurement appropriations of the Department of Defense finance the acquisition of weapons, equipment, munitions, spares, and modification of existing equipment.

Procurement continues for the Army's Patriot and Stinger air defense missile systems, Tow and Hellfire antitank missiles, M-1 main battle tank, Bradley Fighting Vehicle System, Multiple Launch Rocket System, AH-64 attack helicopter, and improved conventional munitions.

Modernization of our naval forces in 1988 and 1989 includes continued procurement of the F-18 air combat fighter and the F-14 fleet air defense fighter. Procurement of the Trident strategic missile and submarine continues. General purpose ships to be acquired include SSN-688 and SSN-21 nuclear attack submarines, CG-47 cruisers and DDG-51 Guided Missile Destroyers. Advance procurement for two replacement aircraft carriers is also included.

Significant Air Force programs include procurement of the Peacekeeper ballistic missile, AMRAAM air-to-air missile, F-15 and F-16 air combat fighters, C-17 airlift aircraft, and precision guided munitions.

The 1988 and 1989 budget continues emphasis on the DoD Acquisition Initiatives which include multiyear procurement, economic production rates, and productivity improvements.

The budget plan for each appropriation is shown as a separate table immediately following the program and financing schedules for those appropriations that are available for obligation for more than one year. In 1988 and 1989, it presents, by budget activity, the value of the program requested for the life of these multiple-year appropriations, with comparable amounts in 1986 and 1987.

The appropriations for procurement depend upon the enactment of authorizing legislation.

### Federal Funds

#### General and special funds:

##### AIRCRAFT PROCUREMENT, ARMY

For construction, procurement, production, modification, and modernization of aircraft, equipment, including ordnance, ground handling equipment, spare parts, and accessories therefor; specialized equipment and training devices; expansion of public and private plants, including the land necessary therefor, for the foregoing purposes, and such lands and interests therein, may be acquired, and construction prosecuted thereon prior to approval of title; and procurement and installation of equipment, appliances and machine tools in public and private plants; reserve plant and Government and contractor-owned equipment layaway; and other expenses necessary for the foregoing purposes; **[\$2,762,750,000] \$2,473,959,000, of which \$201,100,000 shall be available only for the Army National Guard and Army Reserve, to remain available for obligation until September 30, [1989] 1990.**

Further, for the foregoing purposes, **\$2,229,539,000, of which \$192,300,000 shall be available only for the Army National Guard and**

**Army Reserve, to become available for obligation on October 1, 1988 and to remain available for obligation until September 30, 1991. (10 U.S.C. 2353, 2361, 3013, 4531-32; Department of Defense Appropriations Act, 1987, as included in Public Laws 99-500 and 99-591, section 101(c); additional authorizing legislation to be proposed.**

**For an additional amount for "Aircraft procurement, Army", \$18,000,000.] (Omnibus Drug Supplemental Appropriations Act of 1987, as included in Public Laws 99-500 and 99-591, Title II.)**

#### Program and Financing (in thousands of dollars)

Identification code 21-2031-0-1-051	1986 actual	1987 est.	1988 est.	1989 est.
<b>Program by activities:</b>				
<b>Direct program:</b>				
00.01 Aircraft.....	1,473,749	1,467,208	1,288,204	844,047
00.02 Modification of aircraft.....	802,408	570,307	599,724	747,426
00.03 Spares and repair parts.....	765,042	587,896	533,851	540,037
00.04 Support equipment and facilities.....	293,314	193,775	150,744	167,203
00.91 Total direct program.....	3,334,513	2,819,186	2,572,523	2,298,713
01.01 Reimbursable program.....	54,007	63,275	17,900	17,900
10.00 Total obligations.....	3,388,520	2,882,461	2,590,423	2,316,613
<b>Financing:</b>				
<b>Offsetting collections from:</b>				
11.00 Federal funds.....	-55,145	-31,100	-8,800	-8,800
13.00 Trust funds.....	-11,235	-9,600	-8,500	-8,500
14.00 Non-Federal sources.....	24	-3,100	-600	-600
17.00 Recovery of prior year obligations.....	-40,745			
<b>Unobligated balance available, start of year:</b>				
21.40 For completion of prior year budget plans.....	-893,869	-835,468	-779,397	-680,833
21.40 Available to finance new budget plans.....	-120,900	-108,200		
22.40 Unobligated balance transferred, net.....	78,323	-13,940		
23.40 Unobligated balance rescinded.....		94,400		
23.40 Reduction pursuant to P.L. 99-177 in unobligated balance.....	49,382			
<b>Unobligated balance available, end of year:</b>				
24.40 For completion of prior year budget plans.....	835,468	779,397	680,833	611,659
24.40 Available to finance subsequent year budget plans.....	108,200			
25.00 Unobligated balance lapsing.....	3,791			
39.00 Budget authority.....	3,341,814	2,754,850	2,473,959	2,229,539
<b>Budget authority:</b>				
40.00 Appropriation.....	3,351,514	2,780,750	2,473,959	2,229,539
41.00 Transferred to other accounts.....	-9,700	-25,900		
43.00 Appropriation (adjusted).....	3,341,814	2,754,850	2,473,959	2,229,539
<b>Relation of obligations to outlays:</b>				
71.00 Obligations incurred, net.....	3,322,164	2,838,661	2,572,523	2,298,713
72.40 Obligated balance, start of year.....	4,512,256	4,792,788	4,524,249	4,245,772
74.40 Obligated balance, end of year.....	-4,792,788	-4,524,249	-4,245,772	-3,979,685
77.00 Adjustments in expired accounts.....	-14,090			
78.00 Adjustments in unexpired accounts.....	-40,745			
90.00 Outlays.....	2,986,797	3,107,200	2,851,000	2,564,800

#### Budget Plan (in thousands of dollars)

(amount for procurement actions programmed)

<b>Direct:</b>				
07.01 Aircraft.....	1,615,435	1,584,177	1,197,556	712,690
07.02 Modification of aircraft.....	656,512	503,425	608,308	789,653
07.03 Spares and repair parts.....	732,662	558,599	512,122	553,029
07.04 Support equipment and facilities.....	272,345	108,649	155,973	174,167
07.91 Total direct.....	3,276,954	2,754,850	2,473,959	2,229,539
08.01 Reimbursable.....	65,303	43,800	17,900	17,900
08.93 Total budget plan.....	3,342,257	2,798,650	2,491,859	2,247,439



## General and special funds—Continued

## AIRCRAFT PROCUREMENT, ARMY—Continued

## Object Classification (in thousands of dollars)

Identification code	21-2031-0-1-051	1986 actual	1987 est.	1988 est.	1989 est.
Direct obligations:					
25.0	Other services: Other .....	733,593	592,029	540,230	492,578
26.0	Supplies and materials .....	500,177	422,878	385,878	351,842
31.0	Equipment .....	2,100,743	1,804,279	1,646,415	1,454,293
99.0	Subtotal, direct obligations .....	3,334,513	2,819,186	2,572,523	2,298,713
99.0	Reimbursable obligations .....	54,007	63,275	17,900	17,900
99.9	Total obligations .....	3,388,520	2,882,461	2,590,423	2,316,613

## MISSILE PROCUREMENT, ARMY

For construction, procurement, production, modification, and modernization of missiles, equipment, including ordnance, ground handling equipment, spare parts, and accessories therefor; specialized equipment and training devices; expansion of public and private plants, including the land necessary therefor, for the foregoing purposes, and such lands and interests therein, may be acquired, and construction prosecuted thereon prior to approval of title; and procurement and installation of equipment, appliances, and machine tools in public and private plants; reserve plant and Government and contractor-owned equipment; layaway; and other expenses necessary for the foregoing purposes; **[\$2,206,800,000] \$2,458,466,000, of which \$20,000,000 shall be available only for the Army National Guard and Army Reserve, to remain available for obligation until September 30, [1989] 1990.**

Further, for the foregoing purposes, **\$2,923,200,000, of which \$20,700,000 shall be available only for the Army National Guard and Army Reserve, to become available for obligation on October 1, 1988 and to remain available for obligation until September 30, 1991. (10 U.S.C. 2353, 2361, 3013, 4531-32; Department of Defense Appropriations Act, 1987, as included in Public Laws 99-500 and 99-591, section 101(c); additional authorizing legislation to be proposed.)**

## Program and Financing (in thousands of dollars)

Identification code	21-2032-0-1-051	1986 actual	1987 est.	1988 est.	1989 est.
Program by activities:					
Direct program:					
00.01	Other missiles .....	2,268,466	1,667,407	2,043,746	2,303,280
00.02	Modification of missiles .....	243,719	166,455	156,847	230,226
00.03	Spares and repair parts .....	423,734	162,958	233,281	239,748
00.04	Support equipment and facilities .....	141,884	49,117	37,122	47,930
00.91	Total direct program .....	3,077,803	2,045,937	2,470,996	2,821,184
01.01	Reimbursable program .....	520,101	641,994	444,700	444,700
10.00	Total obligations .....	3,597,904	2,687,931	2,915,696	3,265,884
Financing:					
Offsetting collections from:					
11.00	Federal funds .....	-474,898	-451,000	-386,600	-386,600
13.00	Trust funds .....	-97,435	-127,700	-57,500	-57,500
14.00	Non-Federal sources .....	97	-1,100	-600	-600
17.00	Recovery of prior year obligations .....	-69,370			
	Unobligated balance available, start of year:				
21.40	For completion of prior year budget plans .....	-999,123	-615,186	-787,315	-774,785
21.40	Available to finance new budget plans .....	-81,200	-120,700		
22.40	Unobligated balance transferred, net .....	84,820	-65,360		
23.40	Unobligated balance rescinded .....		99,600		
23.40	Reduction pursuant to P.L. 99-177 in unobligated balance .....	52,700			
	Unobligated balance available, end of year:				
24.40	For completion of prior year budget plans .....	615,186	787,315	774,785	876,801
24.40	Available to finance subsequent year budget plans .....	120,700			

25.00	Unobligated balance lapsing .....	12,639			
39.00	Budget authority .....	2,762,020	2,193,800	2,458,466	2,923,200
Budget authority:					
40.00	Appropriation .....	2,762,020	2,206,800	2,458,466	2,923,200
41.00	Transferred to other accounts .....		-13,000		
43.00	Appropriation (adjusted) .....	2,762,020	2,193,800	2,458,466	2,923,200
Relation of obligations to outlays:					
71.00	Obligations incurred, net .....	3,025,668	2,108,131	2,470,996	2,821,184
72.40	Obligated balance, start of year .....	4,128,284	4,584,453	3,854,884	3,678,180
74.40	Obligated balance, end of year .....	-4,584,453	-3,854,884	-3,678,180	-4,072,264
77.00	Adjustments in expired accounts .....	-22,460			
78.00	Adjustments in unexpired accounts .....	-69,370			
90.00	Outlays .....	2,477,668	2,837,700	2,647,700	2,427,100

## Budget Plan (in thousands of dollars)

## (amount for procurement actions programmed)

Direct:					
07.01	Other missiles .....	2,299,443	1,881,400	2,015,474	2,371,767
07.02	Modification of missiles .....	157,308	129,100	161,315	250,272
07.03	Spares and repair parts .....	253,558	140,400	246,600	250,702
07.04	Support equipment and facilities .....	50,271	42,900	35,077	50,459
07.91	Total direct .....	2,760,580	2,193,800	2,458,466	2,923,200
08.01	Reimbursable .....	562,330	579,800	444,700	444,700
08.93	Total budget plan .....	3,322,910	2,773,600	2,903,166	3,367,900

## Object Classification (in thousands of dollars)

Identification code	21-2032-0-1-051	1986 actual	1987 est.	1988 est.	1989 est.
Direct obligations:					
25.0	Other services: Other .....	637,536	429,647	518,909	599,757
26.0	Supplies and materials .....	1,116,812	756,997	914,269	1,065,414
31.0	Equipment .....	1,323,455	859,293	1,037,818	1,156,013
99.0	Subtotal, direct obligations .....	3,077,803	2,045,937	2,470,996	2,821,184
99.0	Reimbursable obligations .....	520,101	641,994	444,700	444,700
99.9	Total obligations .....	3,597,904	2,687,931	2,915,696	3,265,884

## PROCUREMENT OF WEAPONS AND TRACKED COMBAT VEHICLES, ARMY\*

\*See Part II for additional information.

For construction, procurement, production, and modification of weapons and tracked combat vehicles, equipment, including ordnance, spare parts, and accessories therefor; specialized equipment and training devices; expansion of public and private plants, including the land necessary therefor, for the foregoing purposes, and such lands and interests therein may be acquired, and construction prosecuted thereon prior to approval of title; and procurement and installation of equipment, appliances, and machine tools in public and private plants; reserve plant and Government and contractor-owned equipment; layaway; and other expenses necessary for the foregoing purposes; **[\$3,804,300,000] \$3,152,537,000, of which \$88,100,000 shall be available only for the Army National Guard and Army Reserve, to remain available for obligation until September 30, [1989: Provided, That none of these funds may be used for the noncompetitive procurement of the M249 Squad Automatic Weapon] 1990.**

Further, for the foregoing purposes, **\$3,227,762,000, of which \$155,300,000 shall be available only for the Army National Guard and Army Reserve, to become available for obligation on October 1, 1988 and to remain available for obligation until September 30, 1991. (10 U.S.C. 2353, 2361, 3013, 4531-32; Department of Defense Appropriations Act, 1987, as included in Public Laws 99-500 and 99-591, section 101(c); additional authorizing legislation to be proposed.)**



## Program and Financing (in thousands of dollars)

Identification code 21-2033-0-1-051	1986 actual	1987 est.	1988 est.	1989 est.
<b>Program by activities:</b>				
<b>Direct program:</b>				
00.01 Tracked combat vehicles .....	4,265,264	3,351,770	3,123,469	3,052,074
00.02 Weapons and other combat vehicles .....	338,997	236,368	188,317	214,417
00.91 Total direct program .....	4,604,261	3,588,138	3,311,786	3,266,491
01.01 Reimbursable program .....	334,336	450,151	329,900	323,000
10.00 Total obligations .....	4,938,597	4,038,289	3,641,686	3,589,491
<b>Financing:</b>				
<b>Offsetting collections from:</b>				
11.00 Federal funds .....	-295,231	-298,900	-260,500	-253,600
13.00 Trust funds .....	-71,883	-67,100	-69,400	-69,400
14.00 Non-Federal sources .....	-943			
17.00 Recovery of prior year obligations .....	-336,971			
<b>Unobligated balance available, start of year:</b>				
21.40 For completion of prior year budget plans .....	-1,589,115	-1,184,787	-1,257,398	-1,098,149
21.40 Available to finance new budget plans .....	-598,100	-380,750		
22.40 Unobligated balance transferred, net .....	618,751	167,450		
23.40 Unobligated balance rescinded .....	34,400	213,300		
23.40 Reduction pursuant to P.L. 99-177 in unobligated balance .....	103,446			
<b>Unobligated balance available, end of year:</b>				
24.40 For completion of prior year budget plans .....	1,184,787	1,257,398	1,098,149	1,059,420
24.40 Available to finance subsequent year budget plans .....	380,750			
25.00 Unobligated balance lapsing .....	24,557			
39.00 Budget authority .....	4,393,045	3,744,900	3,152,537	3,227,762
<b>Budget authority:</b>				
40.00 Appropriation .....	4,455,245	3,804,300	3,152,537	3,227,762
41.00 Transferred to other accounts .....	-62,200	-59,400		
43.00 Appropriation (adjusted) .....	4,393,045	3,744,900	3,152,537	3,227,762
<b>Relation of obligations to outlays:</b>				
71.00 Obligations incurred, net .....	4,570,540	3,672,289	3,311,786	3,266,491
72.40 Obligated balance, start of year .....	6,099,998	6,668,986	6,684,600	6,404,501
74.40 Obligated balance, end of year .....	-6,668,986	-6,684,600	-6,404,501	-6,370,852
77.00 Adjustments in expired accounts .....	-16,704			
78.00 Adjustments in unexpired accounts .....	-336,971			
90.00 Outlays .....	3,647,877	3,656,675	3,591,885	3,300,140

## Budget Plan (in thousands of dollars)

(amount for procurement actions programmed)

<b>Direct:</b>				
07.01 Tracked combat vehicles .....	3,861,943	3,508,247	2,970,831	3,022,729
07.02 Weapons and other combat vehicles .....	175,452	236,653	181,706	205,033
07.91 Total direct .....	4,037,395	3,744,900	3,152,537	3,227,762
08.01 Reimbursable .....	355,135	366,000	329,900	323,000
08.93 Total budget plan .....	4,392,530	4,110,900	3,482,437	3,550,762

## Object Classification (in thousands of dollars)

Identification code 21-2033-0-1-051	1986 actual	1987 est.	1988 est.	1989 est.
<b>Direct obligations:</b>				
25.0 Other services: Other .....	1,012,937	789,390	728,593	732,859
26.0 Supplies and materials .....	644,596	502,339	463,650	466,364
31.0 Equipment .....	2,946,728	2,296,409	2,119,543	2,067,268
99.0 Subtotal, direct obligations .....	4,604,261	3,588,138	3,311,786	3,266,491
99.0 Reimbursable obligations .....	334,336	450,151	329,900	323,000
99.9 Total obligations .....	4,938,597	4,038,289	3,641,686	3,589,491

## SUMMARY OF BUDGET AUTHORITY AND OUTLAYS

(In thousands of dollars)				
Enacted/requested:	1986 actual	1987 est.	1988 est.	1989 est.
Budget authority .....	4,393,045	3,744,900	3,152,537	3,227,762
Outlays .....	3,647,877	3,656,675	3,591,885	3,300,140
Rescission proposal:				
Budget authority .....		-15,000		
Outlays .....		-1,575	-5,385	-4,740
Total:				
Budget authority .....	4,393,045	3,729,900	3,152,537	3,227,762
Outlays .....	3,647,877	3,655,100	3,586,500	3,295,400

## PROCUREMENT OF AMMUNITION, ARMY\*

\*See Part II for additional information.

For construction, procurement, production, and modification of ammunition, and accessories therefor; specialized equipment and training devices; expansion of public and private plants, including ammunition facilities authorized in military construction authorization Acts or authorized by section 2854, title 10, United States Code, and the land necessary therefor, for the foregoing purposes, and such lands and interests therein, may be acquired, and construction prosecuted thereon prior to approval of title; and procurement and installation of equipment, appliances, and machine tools in public and private plants; reserve plant and Government and contractor-owned equipment layaway; and other expenses necessary for the foregoing purposes; **[\$2,087,150,000] \$2,194,275,000, of which \$258,100,000 shall be available only for the Army National Guard and Army Reserve, to remain available for obligation until September 30, [1989] 1990.**

Further, for the foregoing purposes, **\$2,194,755,000, of which \$218,000,000 shall be available only for the Army National Guard and Army Reserve, to become available for obligation on October 1, 1988 and to remain available for obligation until September 30, 1991. (10 U.S.C. 2353, 2361, 3013, 4531-32; Department of Defense Appropriations Act, 1987, as included in Public Laws 99-500 and 99-591, section 101(c); additional authorizing legislation to be proposed.)**

## Program and Financing (in thousands of dollars)

Identification code 21-2034-0-1-051	1986 actual	1987 est.	1988 est.	1989 est.
<b>Program by activities:</b>				
<b>Direct program:</b>				
00.01 Ammunition .....	2,000,757	1,564,486	1,994,573	1,914,283
00.02 Ammunition production base support .....	365,448	547,821	196,702	276,557
00.91 Total direct program .....	2,366,205	2,112,307	2,191,275	2,190,840
01.01 Reimbursable program .....	98,279	152,586	147,500	133,500
10.00 Total obligations .....	2,464,484	2,264,893	2,338,775	2,324,340
<b>Financing:</b>				
<b>Offsetting collections from:</b>				
11.00 Federal funds .....	-73,924	-96,000	-95,800	-81,800
13.00 Trust funds .....	-19,374	-47,900	-51,700	-51,700
14.00 Non-Federal sources .....	-259			
17.00 Recovery of prior year obligations .....	-235,999			
<b>Unobligated balance available, start of year:</b>				
21.40 For completion of prior year budget plans .....	-269,893	-423,408	-389,565	-392,565
21.40 Available to finance new budget plans .....	-178,100	-72,562		
22.40 Unobligated balance transferred, net .....	169,373			
23.40 Unobligated balance rescinded .....		72,562		
23.40 Reduction pursuant to P.L. 99-177 in unobligated balance .....	21,292			
<b>Unobligated balance available, end of year:</b>				
24.40 For completion of prior year budget plans .....	423,408	389,565	392,565	396,480
24.40 Available to finance subsequent year budget plans .....	72,562			
25.00 Unobligated balance lapsing .....	1,267			
40.00 Budget authority (appropriation) .....	2,374,837	2,087,150	2,194,275	2,194,755



## General and special funds—Continued

## PROCUREMENT OF AMMUNITION, ARMY—Continued

## Program and Financing (in thousands of dollars)—Continued

Identification code	21-2034-0-1-051	1986 actual	1987 est.	1988 est.	1989 est.
Relation of obligations to outlays:					
71.00	Obligations incurred, net.....	2,370,927	2,120,993	2,191,275	2,190,840
72.40	Obligated balance, start of year..	3,083,586	3,244,350	3,398,923	3,568,146
74.40	Obligated balance, end of year....	-3,244,350	-3,398,923	-3,568,146	-3,690,562
77.00	Adjustments in expired accounts.....	-41,491			
78.00	Adjustments in unexpired accounts.....	-235,999			
90.00	Outlays.....	1,932,674	1,966,420	2,022,052	2,068,424

## Budget Plan (in thousands of dollars)

(amount for procurement actions programmed)

Direct:					
07.01	Ammunition.....	1,864,574	1,732,150	2,025,733	1,914,063
07.02	Ammunition production base support.....	470,701	355,000	168,542	280,692
07.91	Total direct.....	2,335,275	2,087,150	2,194,275	2,194,755
08.01	Reimbursable.....	102,409	143,900	147,500	133,500
08.93	Total budget plan.....	2,437,684	2,231,050	2,341,775	2,328,255

## SUMMARY OF BUDGET AUTHORITY AND OUTLAYS

(in thousands of dollars)

Enacted/requested:					
	1986 actual	1987 est.	1988 est.	1989 est.	
Budget authority.....	2,374,837	2,087,150	2,194,275	2,194,755	
Outlays.....	1,932,674	1,966,420	2,022,052	2,068,424	
Supplemental—additional authorizing legislation required:					
Budget authority.....		40,000			
Outlays.....		3,180	11,048	7,276	
Total:					
Budget authority.....	2,374,837	2,127,150	2,194,275	2,194,755	
Outlays.....	1,932,674	1,969,600	2,033,100	2,075,700	

## Object Classification (in thousands of dollars)

Identification code	21-2034-0-1-051	1986 actual	1987 est.	1988 est.	1989 est.
Direct obligations:					
25.0	Other services: Other.....	236,160	211,231	219,128	226,124
26.0	Supplies and materials.....	2,125,433	1,901,076	1,972,147	1,964,716
31.0	Equipment.....	4,612			
99.0	Subtotal, direct obligations.....	2,366,205	2,112,307	2,191,275	2,190,840
99.0	Reimbursable obligations.....	98,279	152,586	147,500	133,500
99.9	Total obligations.....	2,464,484	2,264,893	2,338,775	2,324,340

## OTHER PROCUREMENT, ARMY

For construction, procurement, production, and modification of vehicles, including tactical, support, and nontracked combat vehicles; the purchase of not to exceed [two hundred and ninety] 861 passenger motor vehicles, of which 98 shall be for replacement only; communications and electronic equipment; other support equipment, spare parts, ordnance, and accessories therefor; specialized equipment and training devices; expansion of public and private plants, including the land necessary therefor, for the foregoing purposes, and such lands and interests therein, may be acquired, and construction prosecuted thereon prior to approval of title; and procurement and installation of equipment, appliances, and machine tools in public and private plants; reserve plant and Government and contractor-owned equipment layaway; and other expenses necessary for the foregoing purposes; [\$5,118,752,000] \$5,870,860,000, of which \$630,800,000 shall be available only for the Army National Guard and Army Reserve, to remain available for obligation until September 30, [1989] 1990.

Further, for the foregoing purposes, including the purchase of 788 passenger motor vehicles for replacement only; \$6,030,274,000, of which \$805,100,000 shall be available only for the Army National Guard and Army Reserve, to become available for obligation on October 1, 1988,

and to remain available for obligation until September 30, 1991. (10 U.S.C. 2353, 2361, 3013, 4531-32; Department of Defense Appropriations Act, 1987, as included in Public Laws 99-500 and 99-591, section 101(c); additional authorizing legislation to be proposed.)

## Program and Financing (in thousands of dollars)

Identification code	21-2035-0-1-051	1986 actual	1987 est.	1988 est.	1989 est.
Program by activities:					
Direct program:					
00.01	Tactical and support vehicles.....	1,057,169	732,905	849,611	839,435
00.02	Communications and electronics equipment.....	2,532,640	2,765,711	3,610,965	3,924,936
00.03	Other support equipment.....	1,293,432	1,314,131	1,189,798	1,146,922
00.91	Total direct program.....	4,883,241	4,812,747	5,650,374	5,911,293
01.01	Reimbursable program.....	296,194	501,800	325,300	357,700
10.00	Total obligations.....	5,179,435	5,314,547	5,975,674	6,268,993

## Financing:

Offsetting collections from:					
11.00	Federal funds.....	-272,506	-448,000	-288,800	-321,200
13.00	Trust funds.....	-35,287	-28,100	-28,100	-28,100
14.00	Non-Federal sources.....	-105	-8,400	-8,400	-8,400
17.00	Recovery of prior year obligations.....	-186,007			
Unobligated balance available, start of year:					
21.40	For completion of prior year budget plans.....	-1,821,638	-1,821,096	-2,068,782	-2,289,268
21.40	Available to finance new budget plans.....	-312,900	-217,500		
22.40	Unobligated balance transferred, net.....	294,382	20,000		
23.40	Unobligated balance rescinded.....		178,700		
23.40	Reduction pursuant to P.L. 99-177 in unobligated balance.....	104,233			
Unobligated balance available, end of year:					
24.40	For completion of prior year budget plans.....	1,821,096	2,068,782	2,289,268	2,408,249
24.40	Available to finance subsequent year budget plans.....	217,500			
25.00	Unobligated balance lapsing.....	26,799	5,000		
39.00	Budget authority.....	5,015,001	5,063,933	5,870,860	6,030,274

## Budget authority:

40.00	Appropriation.....	5,018,700	5,118,752	5,870,860	6,030,274
41.00	Transferred to other accounts.....	-5,100	-65,060		
42.00	Transferred from other accounts.....	1,401	5,241		
43.00	Appropriation (adjusted).....	5,015,001	5,058,933	5,870,860	6,030,274
50.00	Reappropriation.....		5,000		

Relation of obligations to outlays:					
71.00	Obligations incurred, net.....	4,871,537	4,830,047	5,650,374	5,911,293
72.40	Obligated balance, start of year..	6,459,489	7,133,784	7,528,131	8,415,605
74.40	Obligated balance, end of year....	-7,133,784	-7,528,131	-8,415,605	-9,189,398
77.00	Adjustments in expired accounts.....	-11,337			
78.00	Adjustments in unexpired accounts.....	-186,007			
90.00	Outlays.....	3,999,897	4,435,700	4,762,900	5,137,500

## Budget Plan (in thousands of dollars)

(amount for procurement actions programmed)

Direct:					
07.01	Tactical and support vehicles.....	835,238	773,800	870,560	852,437
07.02	Communications and electronics equipment.....	2,778,350	2,996,481	3,843,313	4,038,260
07.03	Other support equipment.....	1,248,113	1,288,652	1,156,987	1,139,577
07.91	Total direct.....	4,861,701	5,058,933	5,870,860	6,030,274
08.01	Reimbursable.....	303,132	484,500	325,300	357,700
08.93	Total budget plan.....	5,164,833	5,543,433	6,196,160	6,387,974



## Object Classification (in thousands of dollars)

Identification code	21-2035-0-1-051	1986 actual	1987 est.	1988 est.	1989 est.
Direct obligations:					
25.0	Other services: Other.....	878,984	818,167	960,564	1,015,471
26.0	Supplies and materials.....	195,330	192,510	226,015	238,934
31.0	Equipment.....	3,808,927	3,802,070	4,463,795	4,656,888
99.0	Subtotal, direct obligations.....	4,883,241	4,812,747	5,650,374	5,911,293
99.0	Reimbursable obligations.....	296,194	501,800	325,300	357,700
99.9	Total obligations.....	5,179,435	5,314,547	5,975,674	6,268,993

## AIRCRAFT PROCUREMENT, NAVY

For construction, procurement, production, modification, and modernization of aircraft, equipment, including ordnance, spare parts, and accessories therefor; specialized equipment; expansion of public and private plants, including the land necessary therefor, and such lands and interests therein, may be acquired, and construction prosecuted thereon prior to approval of title; and procurement and installation of equipment, appliances, and machine tools in public and private plants; reserve plant and Government and contractor-owned equipment layaway; **[\$9,794,262,000] \$9,924,883,000, of which \$89,100,000 shall be available only for the Navy Reserve and Marine Corps Reserve, to remain available for obligation until September 30, [1989: Provided, That four P-3C aircraft shall be for the Navy Reserve] 1990.**

Further, for the foregoing purposes, **\$10,250,270,000, of which \$95,600,000 shall be available only for the Navy Reserve and Marine Corps Reserve, to become available for obligation on October 1, 1988 and to remain available for obligation until September 30, 1991. (10 U.S.C. 5013, 5063, 7201, 7341; Department of Defense Appropriations Act, 1987, as included in Public Laws 99-500 and 99-591, section 101(c); additional authorizing legislation to be proposed.)**

**[For an additional amount for "Aircraft procurement, Navy", \$183,000,000.] (Omnibus Drug Supplemental Appropriations Act of 1987, as included in Public Laws 99-500 and 99-591, Title II.)**

## Program and Financing (in thousands of dollars)

Identification code	17-1506-0-1-051	1986 actual	1987 est.	1988 est.	1989 est.
Program by activities:					
Direct program:					
00.01	Combat aircraft.....	5,762,097	5,217,644	6,209,223	6,843,511
00.02	Airlift aircraft.....	209,355	101,044	34,546	12,905
00.03	Trainer aircraft.....	198,614	87,958	293,260	374,878
00.04	Other aircraft.....	506,978	264,488	340,696	367,405
00.05	Modification of aircraft.....	1,180,901	1,845,773	965,424	689,194
00.06	Aircraft spares and repair parts.....	1,181,221	1,733,865	1,521,537	1,290,233
00.07	Aircraft support equipment and facilities.....	628,539	632,241	579,077	600,434
00.91	Total direct program.....	9,667,705	9,883,013	9,943,763	10,178,560
01.01	Reimbursable program.....	97	27,675	1,545	1,591
10.00	Total obligations.....	9,667,802	9,910,688	9,945,308	10,180,151
Financing:					
Offsetting collections from:					
11.00	Federal funds.....	-12,294	-1,000	-1,030	-1,061
13.00	Trust funds.....	1,231	-500	-515	-530
14.00	Non-Federal sources.....	-115			
17.00	Recovery of prior year obligations.....	-28,831			
Unobligated balance available, start of year:					
21.40	For completion of prior year budget plans.....	-2,847,715	-2,832,609	-2,900,683	-2,881,803
21.40	Available to finance new budget plans.....	-576,400	-620,550		
22.40	Unobligated balance transferred, net.....	548,286	41,650		
23.40	Unobligated balance rescinded.....		578,900		
23.40	Reduction pursuant to P.L. 99-177 in unobligated balance.....	167,042			
Unobligated balance available, end of year:					

24.40	For completion of prior year budget plans.....	2,832,609	2,900,683	2,881,803	2,953,513
24.40	Available to finance subsequent year budget plans.....	620,550			
25.00	Unobligated balance lapsing.....	123,817			
39.00	<b>Budget authority.....</b>	<b>10,495,984</b>	<b>9,977,262</b>	<b>9,924,883</b>	<b>10,250,270</b>
Budget authority:					
40.00	Appropriation.....	10,628,070	9,977,262	9,924,883	10,250,270
41.00	Transferred to other accounts.....	-132,086			
43.00	<b>Appropriation (adjusted).....</b>	<b>10,495,984</b>	<b>9,977,262</b>	<b>9,924,883</b>	<b>10,250,270</b>
Relation of obligations to outlays:					
71.00	Obligations incurred, net.....	9,656,624	9,909,188	9,943,763	10,178,560
72.40	Obligated balance, start of year.....	15,129,214	15,741,344	16,132,832	16,670,395
74.40	Obligated balance, end of year.....	-15,741,344	-16,132,832	-16,670,395	-17,384,755
77.00	Adjustments in expired accounts.....	-94,024			
78.00	Adjustments in unexpired accounts.....	-28,831			
90.00	Outlays.....	8,921,640	9,517,700	9,406,200	9,464,200

## Budget Plan (in thousands of dollars)

(amount for procurement actions programmed)

Direct:					
07.01	Combat aircraft.....	5,770,486	5,857,888	6,449,226	6,922,602
07.02	Airlift aircraft.....	221,851	98,880	5,776	7,781
07.03	Trainer aircraft.....	133,806	55,216	358,210	403,466
07.04	Other aircraft.....	442,251	317,545	369,443	370,842
07.05	Modification of aircraft.....	1,654,997	1,397,535	668,554	667,017
07.06	Aircraft spares and repair parts.....	1,156,784	1,632,215	1,511,913	1,270,957
07.07	Aircraft support equipment and facilities.....	691,059	617,983	561,761	607,605
07.91	Total direct.....	10,071,234	9,977,262	9,924,883	10,250,270
08.01	Reimbursable.....	13,969	1,500	1,545	1,591
08.93	Total budget plan.....	10,085,203	9,978,762	9,926,428	10,251,861

## Object Classification (in thousands of dollars)

Identification code	17-1506-0-1-051	1986 actual	1987 est.	1988 est.	1989 est.
Direct obligations:					
25.0	Other services: Purchases from industrial funds.....	36,500	37,405	37,540	9,850
26.0	Supplies and materials.....	1,181,434	1,210,723	1,215,091	1,243,863
31.0	Equipment.....	8,449,771	8,634,885	8,691,132	8,924,847
99.0	Subtotal, direct obligations.....	9,667,705	9,883,013	9,943,763	10,178,560
99.0	Reimbursable obligations.....	97	27,675	1,545	1,591
99.9	Total obligations.....	9,667,802	9,910,688	9,945,308	10,180,151

## WEAPONS PROCUREMENT, NAVY

For construction, procurement, production, modification, and modernization of missiles, torpedoes, other weapons, and related support equipment including spare parts, and accessories therefor; expansion of public and private plants, including the land necessary therefor, and such land and interest therein, may be acquired, and construction prosecuted thereon prior to approval of title; and procurement and installation of equipment, appliances, and machine tools in public and private plants; reserve plant and Government and contractor-owned equipment layaway, as follows:

Poseidon, \$3,974,000;  
TRIDENT I, \$4,739,000;  
TRIDENT II, \$1,362,439,000;  
UGM-73A Poseidon Modifications, \$95,000;  
Support equipment and facilities, \$3,790,000;  
Tomahawk, \$723,800,000;  
AIM/RIM-7 F/M Sparrow, \$269,394,000;  
AIM-9L/M Sidewinder, \$35,800,000;  
AIM-54A/C Phoenix, \$267,272,000;  
AIM-54A/C Phoenix advance procurement, \$20,000,000;  
AGM-84A Harpoon, \$123,000,000;



## General and special funds—Continued

## WEAPONS PROCUREMENT, NAVY—Continued

AGM-88A HARM \$256,682,000;  
SM-2 MR, \$478,611,000;  
SM-2 ER, \$217,017,000;  
RAM, \$40,000,000;  
Stinger, \$39,740,000;  
Sidearm, \$22,858,000;  
Laser Maverick, \$165,691,000;  
IIR Maverick, \$35,200,000;  
Aerial targets, \$96,000,000;  
Drones and decoys, \$36,136,000;  
Other missile support, \$22,017,000;  
Modification of missiles, \$13,692,000;  
Support equipment and facilities, \$74,803,000;  
Ordnance support equipment, \$79,192,000;  
MK-48 ADCAP torpedo program, \$254,770,000;  
MK-46 torpedo program, \$97,861,000;  
MK-50 torpedo program, \$68,137,000;  
Antisubmarine rocket (ASROC) program, \$13,597,000;  
Vertical launched ASROC, \$74,289,000;  
Modification of torpedoes, \$97,705,000;  
Torpedo support equipment program, \$52,610,000;  
MK-15 close-in weapons system program, \$105,606,000;  
MK-75 gun mount program, \$14,875,000;  
MK-19 machine gun program, \$632,000;  
25mm gun mount, \$3,919,000;  
Small arms and weapons, \$10,082,000;  
Modification of guns and gun mounts, \$57,215,000;  
Guns and gun mounts support equipment program, \$873,000;  
Spares and repair parts, \$150,734,000;

In all: \$5,290,847,000; \$6,502,332,000, of which \$4,183,000 shall be available only for the Navy Reserve and Marine Corps Reserve, to remain available for obligation until September 30, [1989: Provided, That within the total amount appropriated, the subdivisions within this appropriation shall be reduced by \$104,000,000] 1990.

Further, for the foregoing purposes, \$7,852,931,000, of which \$4,062,000 shall be available only for the Navy Reserve and Marine Corps Reserve, to become available for obligation on October 1, 1988 and to remain available for obligation until September 30, 1991. (10 U.S.C. 5013, 5063, 7201; Department of Defense Appropriations Act, 1987, as included in Public Laws 99-500 and 99-591, section 101(c); additional authorizing legislation to be proposed.)

## Program and Financing (in thousands of dollars)

Identification code	17-1507-0-1-051	1986 actual	1987 est.	1988 est.	1989 est.
<b>Program by activities:</b>					
<b>Direct program:</b>					
00.01	Ballistic missiles.....	549,901	1,230,900	2,007,466	2,222,056
00.02	Other missiles.....	3,248,357	2,507,661	3,206,439	3,835,953
00.03	Torpedoes and related equipment.....	428,367	940,176	544,927	875,538
00.04	Other weapons.....	158,848	224,279	120,605	153,471
00.05	Spares and repair parts.....	82,720	182,073	135,532	145,519
00.91	Total direct program.....	4,468,193	5,085,089	6,014,969	7,232,537
01.01	Reimbursable program.....	20,694	41,061	31,930	32,888
10.00	Total obligations.....	4,488,887	5,126,150	6,046,899	7,265,425
<b>Financing:</b>					
<b>Offsetting collections from:</b>					
11.00	Federal funds.....	-927	-29,000	-29,870	-30,766
13.00	Trust funds.....	-22,413	-2,000	-2,060	-2,122
14.00	Non-Federal sources.....	-31			
17.00	Recovery of prior year obligations.....	-3,020			
<b>Unobligated balance available, start of year:</b>					
21.40	For completion of prior year budget plans.....	-2,098,824	-2,171,379	-2,422,876	-2,910,239
21.40	Available to finance new budget plans.....	-54,000	-274,700		
22.40	Unobligated balance transferred, net.....	99,265	-50,700		
23.40	Unobligated balance rescinded.....		244,600		
23.40	Reduction pursuant to P.L. 99-177 in unobligated balance....	105,126			

Unobligated balance available, end of year:				
24.40	For completion of prior year budget plans.....	2,171,379	2,422,876	2,910,239
24.40	Available to finance subsequent year budget plans....	274,700		
25.00	Unobligated balance lapsing.....	11,496		
39.00	<b>Budget authority.....</b>	<b>4,971,638</b>	<b>5,265,847</b>	<b>6,502,332</b>
<b>Budget authority:</b>				
40.00	Appropriation.....	4,971,638	5,290,847	6,502,332
41.00	Transferred to other accounts....		-25,000	
43.00	<b>Appropriation (adjusted).....</b>	<b>4,971,638</b>	<b>5,265,847</b>	<b>6,502,332</b>
<b>Relation of obligations to outlays:</b>				
71.00	Obligations incurred, net.....	4,465,516	5,095,150	6,014,969
72.40	Obligated balance, start of year..	5,155,924	6,136,382	7,158,032
74.40	Obligated balance, end of year....	-6,136,382	-7,158,032	-8,612,101
77.00	Adjustments in expired accounts....	-7,245		
78.00	Adjustments in unexpired accounts.....	-3,020		
90.00	<b>Outlays.....</b>	<b>3,474,792</b>	<b>4,073,500</b>	<b>4,560,900</b>

## Budget Plan (in thousands of dollars)

(amount for procurement actions programmed)

<b>Direct:</b>				
07.01	Ballistic missiles.....	547,940	1,359,073	2,258,692
07.02	Other missiles.....	3,131,983	2,968,006	3,377,987
07.03	Torpedoes and related equipment.....	722,670	606,270	634,385
07.04	Other weapons.....	205,674	186,721	101,540
07.05	Spares and repair parts.....	148,171	145,777	129,728
07.91	Total direct.....	4,756,438	5,265,847	6,502,332
08.01	Reimbursable.....	27,491	31,000	31,930
08.93	Total budget plan.....	4,783,929	5,296,847	6,534,262

## Object Classification (in thousands of dollars)

Identification code	17-1507-0-1-051	1986 actual	1987 est.	1988 est.	1989 est.
<b>Direct obligations:</b>					
<b>Other services:</b>					
25.0	Contracts.....	121,118	138,287	165,376	198,600
25.0	Other.....	121,118			
26.0	Supplies and materials.....	3,777,371	4,690,714	5,542,131	6,666,161
31.0	Equipment.....	448,586	256,088	307,462	367,776
99.0	Subtotal, direct obligations.....	4,468,193	5,085,089	6,014,969	7,232,537
99.0	Reimbursable obligations.....	20,694	41,061	31,930	32,888
99.9	Total obligations.....	4,488,887	5,126,150	6,046,899	7,265,425

## SHIPBUILDING AND CONVERSION, NAVY

For expenses necessary for the construction, acquisition, or conversion of vessels as authorized by law, including armor and armament thereof, plant equipment, appliances, and machine tools and installation thereof in public and private plants; reserve plant and Government and contractor-owned equipment layaway; procurement of critical, long leadtime components and designs for vessels to be constructed or converted in the future; and expansion of public and private plants, including land necessary therefor, and such lands and interests therein, may be acquired, and construction prosecuted thereon prior to approval of title [ ], as follows:

TRIDENT ballistic missile submarine program, \$1,446,400,000;  
SSN-688 attack submarine program, \$2,250,800,000;  
SSN-21 attack submarine program, \$375,000,000;  
Aircraft carrier service life extension program, \$83,500,000;  
CG-47 cruiser program, \$2,725,500,000;  
DDG-51 destroyer program, \$1,750,100,000;  
LHD-1 amphibious assault ship program, \$35,000,000;  
T-AO fleet oiler program, \$259,000,000;  
AO conversion program, \$40,000,000;  
T-AGOS ocean surveillance ship program, \$228,000,000;



AOE fast combat support ship program, \$499,000,000;  
Oceanographic research ship program, \$33,000,000;  
Strategic sealift program, \$77,800,000;  
T-ACS auxiliary crane ship program, \$61,100,000;  
For craft, outfitting, and post delivery, \$470,789,000;

In all: \$10,210,989,000; \$11,065,355,000, to remain available for obligation until September 30, [1991] 1994; *Provided*, [That within the total amount appropriated, the subdivisions within this appropriation shall be reduced by \$124,000,000: *Provided further*,] That additional obligations may be incurred after September 30, [1991] 1994, for engineering services, tests, evaluations, and other such budgeted work that must be performed in the final stage of ship construction; and each Shipbuilding and Conversion, Navy, appropriation that is currently available for such obligations may also hereafter be so obligated after the date of its expirations: *Provided further*, That none of the funds herein provided for the construction or conversion of any naval vessel to be constructed in shipyards in the United States shall be expended in foreign shipyards for the construction of major components of the hull or superstructure of such vessel: *Provided further*, That none of the funds herein provided shall be used for the construction of any naval vessel in foreign shipyards.]

Further, for the foregoing purposes, \$11,853,438,000, to become available for obligation on October 1, 1988 and to remain available for obligation until September 30, 1995: *Provided*, That additional obligations may be incurred after September 30, 1995, for engineering services, tests, evaluations, and other such budgeted work that must be performed in the final stage of ship construction.

None of the funds herein provided for the construction or conversion of any naval vessel to be constructed in shipyards in the United States shall be expended in foreign shipyards for the construction of major components of the hull or superstructure of such vessel: *Provided*, That none of the funds herein provided shall be used for the construction of any naval vessel in foreign shipyards. (10 U.S.C. 5013, 5063, 7296, 7298; Department of Defense Appropriations Act, 1987, as included in Public Laws 99-500 and 99-591, section 101(c); additional authorizing legislation to be proposed.)

#### Program and Financing (in thousands of dollars)

Identification code 17-1611-0-1-051	1986 actual	1987 est.	1988 est.	1989 est.
<b>Program by activities:</b>				
Direct program:				
00.01 Fleet ballistic missile ships.....	1,075,651	1,433,662	1,431,198	1,315,002
00.02 Other warships.....	5,245,290	6,077,270	6,630,119	7,616,478
00.03 Amphibious ships.....	899,967	274,921	1,006,938	533,850
00.04 Mine warfare and patrol ships.....	388,932	279,677	320,243	198,694
00.05 Auxiliaries, craft, and prior-year program costs.....	1,222,106	1,820,256	1,381,477	1,653,712
00.91 Total direct program.....	8,831,946	9,885,786	10,769,975	11,317,736
01.01 Reimbursable program.....		1,100	1,133	1,167
10.00 Total obligations.....	8,831,946	9,886,886	10,771,108	11,318,903
<b>Financing:</b>				
Offsetting collections from:				
11.00 Federal funds.....		-1,100	-1,133	-1,167
13.00 Trust funds.....	4			
14.00 Non-Federal sources.....	138			
17.00 Recovery of prior year obligations.....	-61,716			
Unobligated balance available, start of year:				
21.40 For completion of prior year budget plans.....	-11,721,866	-11,055,206	-11,380,409	-11,675,789
21.40 Available to finance new budget plans.....	-2,039,836	-2,002,433		
22.40 Unobligated balance transferred, net.....	1,178,338	731,933		
23.40 Unobligated balance rescinded.....	40,100	1,270,500		
23.40 Reduction pursuant to P.L. 99-177 in unobligated balance.....	674,287			
Unobligated balance available, end of year:				
24.40 For completion of prior year budget plans.....	11,055,206	11,380,409	11,675,789	12,216,491
24.40 Available to finance subsequent year budget plans.....	2,002,433			
25.00 Unobligated balance lapsing.....	391,307			
40.00 Budget authority (appropriation).....	10,350,341	10,210,989	11,065,355	11,858,438

Relation of obligations to outlays:				
71.00 Obligations incurred, net.....	8,832,088	9,885,786	10,769,975	11,317,736
72.40 Obligated balance, start of year.....	20,887,452	20,643,326	20,518,912	20,944,487
74.40 Obligated balance, end of year.....	-20,643,326	-20,518,912	-20,944,487	-21,808,323
77.00 Adjustments in expired accounts.....	486,370			
78.00 Adjustments in unexpired accounts.....	-61,716			
90.00 Outlays.....	9,500,868	10,010,200	10,344,400	10,453,900

#### Budget Plan (in thousands of dollars)

(amount for procurement actions programmed)

Direct:				
07.01 Fleet ballistic missile ships.....	1,231,739	1,432,100	1,330,800	1,398,300
07.02 Other warships.....	5,298,999	7,113,700	7,502,655	7,841,838
07.03 Amphibious ships.....	1,188,657	35,000	1,097,100	741,100
07.04 Mine warfare and patrol ships.....	376,671		297,300	199,000
07.05 Auxiliaries, craft, and prior-year program costs.....	1,516,375	1,630,189	837,500	1,678,200
07.91 Total direct.....	9,612,441	10,210,989	11,065,355	11,858,438
08.01 Reimbursable.....		1,100	1,133	1,167
08.93 Total budget plan.....	9,612,441	10,212,089	11,066,488	11,859,605

#### Object Classification (in thousands of dollars)

Identification code 17-1611-0-1-051	1986 actual	1987 est.	1988 est.	1989 est.
Direct obligations:				
24.0 Printing and reproduction.....	264,958	296,573	323,099	339,532
25.0 Other services: Contracts.....	269,517	306,459	333,869	350,850
31.0 Equipment.....	8,297,471	9,282,754	10,113,007	10,627,354
99.0 Subtotal, direct obligations.....	8,831,946	9,885,786	10,769,975	11,317,736
99.0 Reimbursable obligations.....		1,100	1,133	1,167
99.9 Total obligations.....	8,831,946	9,886,886	10,771,108	11,318,903

#### OTHER PROCUREMENT, NAVY\*

\*See Part II for additional information.

For procurement, production, and modernization of support equipment and materials not otherwise provided for, Navy ordnance and ammunition (except ordnance for new aircraft, new ships, and ships authorized for conversion); the purchase of not to exceed [five hundred and ninety-nine] 861 passenger motor vehicles of which [five hundred and seventy-four] 717 shall be for replacement only; expansion of public and private plants, including the land necessary therefor, and such lands and interests therein, may be acquired, and construction prosecuted thereon prior to approval of title; and procurement and installation of equipment, appliances, and machine tools in public and private plants; reserve plant and Government and contractor-owned equipment layaway, as follows:

Ship support equipment, \$1,037,619,000;  
Communications and electronics equipment, \$2,006,277,000;  
Aviation support equipment, \$788,366,000;  
Ordnance support equipment, \$1,245,355,000;  
Civil engineering support equipment, \$209,041,000;  
Supply support equipment, \$71,823,000;  
Personnel and command support equipment, \$502,498,000;  
Spare and repair parts, \$293,692,000;

In all: \$6,033,371,000; \$4,983,827,000, of which \$55,200,000 shall be available only for the Navy Reserve, to remain available for obligation until September 30, [1989] 1990: *Provided*, That within the total amount appropriated, the subdivisions within this appropriation shall be reduced by \$121,300,000] 1990.

Further, for the foregoing purposes, including the purchase of 832 passenger motor vehicles, of which 774 shall be for replacement only; \$6,577,530,000, of which \$63,300,000 shall be available only for the Navy Reserve, to become available for obligation on October 1, 1988 and to remain available for obligation until September 30, 1991. (10 U.S.C. 5013, 5063; Department of Defense Appropriations Act, 1987, as included in Public Laws 99-500 and 99-591, section 101(c); additional authorizing legislation to be proposed.)



## General and special funds—Continued

## OTHER PROCUREMENT, NAVY—Continued

## Program and Financing (in thousands of dollars)

Identification code	17-1810-0-1-051	1986 actual	1987 est.	1988 est.	1989 est.
<b>Program by activities:</b>					
Direct program:					
00.01	Ship support equipment.....	762,598	1,059,442	761,964	975,655
00.02	Communications and electronics equipment.....	1,656,970	2,123,331	1,880,480	2,054,974
00.03	Aviation support equipment.....	866,600	933,339	697,700	711,508
00.04	Ordnance support equipment.....	1,069,348	1,086,589	846,726	1,415,263
00.05	Civil engineering support equipment.....	275,295	187,665	156,083	118,411
00.06	Supply support equipment.....	77,640	84,642	75,409	122,383
00.07	Personnel and command support equipment.....	430,143	648,054	502,714	557,794
00.08	Spares and repair parts.....	141,379	338,025	305,981	326,901
00.91	Total direct program.....	5,279,973	6,461,087	5,227,057	6,282,889
01.01	Reimbursable program.....	10,021	50,260	25,000	25,000
10.00	Total obligations.....	5,289,994	6,511,347	5,252,057	6,307,889
<b>Financing:</b>					
Offsetting collections from:					
11.00	Federal funds.....	10,540	-17,500	-17,500	-17,500
13.00	Trust funds.....	634	-5,000	-5,000	-5,000
14.00	Non-Federal sources.....	-1,591	-2,500	-2,500	-2,500
17.00	Recovery of prior year obligations.....	-33,429			
Unobligated balance available, start of year:					
21.40	For completion of prior year budget plans.....	-2,171,556	-2,564,780	-2,100,104	-1,856,874
21.40	Available to finance new budget plans.....	-310,647	-267,167		
22.40	Unobligated balance transferred, net.....	276,935	33,964		
23.40	Unobligated balance rescinded.....		233,203		
23.40	Reduction pursuant to P.L. 99-177 in unobligated balance.....	119,322			
Unobligated balance available, end of year:					
24.40	For completion of prior year budget plans.....	2,564,780	2,100,104	1,856,874	2,151,515
24.40	Available to finance subsequent year budget plans.....	267,167			
25.00	Unobligated balance lapsing.....	89,869	12,400		
39.00	Budget authority.....	6,102,018	6,034,071	4,983,827	6,577,530
<b>Budget authority:</b>					
40.00	Appropriation.....	6,081,631	6,033,371	4,983,827	6,577,530
41.00	Transferred to other accounts.....	-6,000	-26,600		
42.00	Transferred from other accounts.....	26,387	14,900		
43.00	Appropriation (adjusted).....	6,102,018	6,021,671	4,983,827	6,577,530
50.00	Reappropriation.....		12,400		
<b>Relation of obligations to outlays:</b>					
71.00	Obligations incurred, net.....	5,299,577	6,486,347	5,227,057	6,282,889
72.40	Obligated balance, start of year.....	6,600,979	7,758,227	9,280,884	9,208,569
74.40	Obligated balance, end of year.....	-7,758,227	-9,280,884	-9,208,569	-10,046,821
77.00	Adjustments in expired accounts.....	57,221			
78.00	Adjustments in unexpired accounts.....	-33,429			
90.00	Outlays.....	4,166,122	4,963,690	5,299,372	5,444,637

## Budget Plan (in thousands of dollars)

(amount for procurement actions programmed)

<b>Direct:</b>					
07.01	Ship support equipment.....	816,614	1,028,579	783,716	941,566
07.02	Communications and electronics equipment.....	1,831,985	1,996,390	1,712,635	2,279,338
07.03	Aviation support equipment.....	1,044,608	788,366	692,532	739,795
07.04	Ordnance support equipment.....	1,152,565	1,144,885	769,542	1,372,832
07.05	Civil engineering support equipment.....	217,642	201,144	116,800	156,812
07.06	Supply support equipment.....	55,242	69,971	122,005	196,534

07.07	Personnel and command support equipment.....	516,768	502,478	477,771	560,562
07.08	Spares and repair parts.....	233,025	289,858	308,826	330,091
07.91	Total direct.....	5,868,449	6,021,671	4,983,827	6,577,530
08.01	Reimbursable.....	18,231	25,000	25,000	25,000
08.93	Total budget plan.....	5,886,680	6,046,671	5,008,827	6,602,530

## SUMMARY OF BUDGET AUTHORITY AND OUTLAYS

[In thousands of dollars]					
Enacted/requested:	1986 actual	1987 est.	1988 est.	1989 est.	
Budget authority.....	6,102,018	6,034,071	4,983,827	6,577,530	
Outlays.....	4,166,122	4,963,690	5,299,372	5,444,637	
Supplemental—additional authorizing legislation required:					
Budget authority.....		40,000			
Outlays.....		1,050	6,148	12,076	
Rescission proposal:					
Budget authority.....		-116,000			
Outlays.....		-13,340	-37,120	-32,213	
<b>Total:</b>					
Budget authority.....	6,102,018	5,958,071	4,983,827	6,577,530	
Outlays.....	4,166,122	4,951,400	5,268,400	5,424,500	

## Object Classification (in thousands of dollars)

Identification code	17-1810-0-1-051	1986 actual	1987 est.	1988 est.	1989 est.
<b>Direct obligations:</b>					
Other services:					
25.0	Purchases from industrial funds.....	66,527	84,323	67,952	81,678
25.0	Contracts.....	146,783	181,618	146,358	175,921
25.0	Other.....	76,929	97,295	78,406	94,243
26.0	Supplies and materials.....	1,098,234	1,349,160	1,087,228	1,306,840
31.0	Equipment.....	3,891,500	4,748,691	3,847,113	4,624,207
99.0	Subtotal, direct obligations.....	5,279,973	6,461,087	5,227,057	6,282,889
99.0	Reimbursable obligations.....	10,021	50,260	25,000	25,000
99.9	Total obligations.....	5,289,994	6,511,347	5,252,057	6,307,889

## [COASTAL DEFENSE AUGMENTATION]

[For the augmentation of United States Coast Guard inventories to meet national security requirements; \$200,000,000, to remain available until expended: *Provided*, That these funds shall be for the procurement by the Department of Defense of vessels, aircraft, and equipment and for modernization of existing Coast Guard assets, which assets are to be made available to the Coast Guard for operation and maintenance.] (*Department of Defense Appropriations Act, 1987, as included in Public Laws 99-500 and 99-591, section 101(c).*)

## Program and Financing (in thousands of dollars)

Identification code	17-0380-0-1-051	1986 actual	1987 est.	1988 est.	1989 est.
<b>Program by activities:</b>					
10.00	Total obligations (object class 31.0).....	43,050	168,064	216,894	94,227
<b>Financing:</b>					
21.40	Unobligated balance available, start of year: For completion of prior year budget plans.....		-299,185	-331,121	-114,227
22.40	Unobligated balance transferred, net.....	-140,000			
24.40	Unobligated balance available, end of year: For completion of prior year budget plans.....	299,185	331,121	114,227	20,000
39.00	Budget authority.....	202,235	200,000		
<b>Budget authority:</b>					
40.00	Appropriation.....	223,485	200,000		
41.00	Transferred to other accounts.....	-21,250			
43.00	Appropriation (adjusted).....	202,235	200,000		
<b>Relation of obligations to outlays:</b>					
71.00	Obligations incurred, net.....	43,050	168,064	216,894	94,227
72.40	Obligated balance, start of year.....		43,050	138,814	210,108



74.40	Obligated balance, end of year .....	-43,050	-138,814	-210,108	-140,635
90.00	Outlays .....		72,300	145,600	163,700

**Budget Plan** (in thousands of dollars)

(amount for procurement actions programmed)

07.01	Total budget plan .....	342,235	200,000		
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**PROCUREMENT, MARINE CORPS**

For expenses necessary for the procurement, manufacture, and modification of missiles, armament, ammunition, military equipment, spare parts, and accessories therefor; plant equipment, appliances, and machine tools, and installation thereof in public and private plants; reserve plant and Government and contractor-owned equipment layaway; vehicles for the Marine Corps, including purchase of not to exceed [sixty-four] 153 passenger motor vehicles for replacement only; and expansion of public and private plants, including land necessary therefor, and such lands, and interests therein, may be acquired and construction prosecuted thereon prior to approval of title; [ \$1,465,215,000 ] \$1,402,440,000, of which \$41,800,000 shall be available only for the Marine Corps Reserve, to remain available for obligation until September 30, [1989] 1990.

Further, for the foregoing purposes, including the purchase of 153 passenger motor vehicles for replacement only; \$1,646,475,000, of which \$27,700,000 shall be available only for the Marine Corps Reserve, to become available for obligation on October 1, 1988 and to remain available for obligation until September 30, 1991. (10 U.S.C. 5013, 7201; Department of Defense Appropriations Act, 1987, as included in Public Laws 99-500 and 99-591, section 101(c); additional authorizing legislation to the proposed.)

**Program and Financing** (in thousands of dollars)

Identification code 17-1109-0-1-051	1986 actual	1987 est.	1988 est.	1989 est.
<b>Program by activities:</b>				
<b>Direct program:</b>				
00.01 Ammunition .....	485,919	575,487	408,550	403,733
00.02 Weapons and combat vehicles .....	125,356	117,236	93,363	249,672
00.03 Guided missiles and equipment .....	261,966	221,304	350,917	368,875
00.04 Communications and electronics equipment .....	220,063	310,809	305,819	332,150
00.05 Support vehicles .....	302,750	157,510	80,010	41,012
00.06 Engineer and other equipment .....	175,058	145,914	155,609	156,532
00.07 Spares and repair parts .....	25,543	35,296	28,957	47,057
00.91 Total direct program .....	1,596,655	1,563,556	1,423,225	1,599,031
01.01 Reimbursable program .....	861	18,417	3,502	3,607
10.00 Total obligations .....	1,597,516	1,581,973	1,426,727	1,602,638
<b>Financing:</b>				
<b>Offsetting collections from:</b>				
11.00 Federal funds .....	-7,381	-3,400	-3,502	-3,607
13.00 Trust funds .....	-877			
14.00 Non-Federal sources .....	-3			
17.00 Recovery of prior year obligations .....	-25,807			
<b>Unobligated balance available, start of year:</b>				
21.40 For completion of prior year budget plans .....	-688,709	-590,311	-476,953	-456,168
21.40 Available to finance new budget plans .....	-47,717	-33,500		
22.40 Unobligated balance transferred, net .....	50,379	7,000		
23.40 Unobligated balance rescinded .....		26,500		
23.40 Reduction pursuant to PL 99-177 in unobligated balance .....	35,567			
<b>Unobligated balance available, end of year:</b>				
24.40 For completion of prior year budget plans .....	590,311	476,953	456,168	503,612
24.40 Available to finance subsequent year budget plans .....	33,500			
25.00 Unobligated balance lapsing .....	21,068			
39.00 Budget authority .....	1,557,848	1,465,215	1,402,440	1,646,475

<b>Budget authority:</b>				
40.00 Appropriation .....	1,579,388	1,465,215	1,402,440	1,646,475
41.00 Transferred to other accounts .....	-21,540			
43.00 Appropriation (adjusted) .....	1,557,848	1,465,215	1,402,440	1,646,475
<b>Relation of obligations to outlays:</b>				
71.00 Obligations incurred, net .....	1,589,255	1,578,573	1,423,225	1,599,031
72.40 Obligated balance, start of year .....	2,997,357	2,815,199	2,721,372	2,614,697
74.40 Obligated balance, end of year .....	-2,815,199	-2,721,372	-2,614,697	-2,730,028
77.00 Adjustments in expired accounts .....	7,407			
78.00 Adjustments in unexpired accounts .....	-25,807			
90.00 Outlays .....	1,753,014	1,672,400	1,529,900	1,483,700

**Budget Plan** (in thousands of dollars)

(amount for procurement actions programmed)

<b>Direct:</b>				
07.01 Ammunition .....	479,407	575,949	410,885	403,587
07.02 Weapons and combat vehicles .....	83,643	94,599	94,442	263,165
07.03 Guided missiles and equipment .....	251,909	224,696	364,400	369,475
07.04 Communications and electronics equipment .....	288,326	267,677	275,735	381,834
07.05 Support vehicles .....	247,497	141,136	39,516	28,999
07.06 Engineer and other equipment .....	140,767	136,499	187,770	148,353
07.07 Spares and repair parts .....	39,899	24,659	29,692	51,062
07.91 Total direct .....	1,531,448	1,465,215	1,402,440	1,646,475
08.01 Reimbursable .....	7,840	3,400	3,502	3,607
08.93 Total budget plan .....	1,539,288	1,468,615	1,405,942	1,650,082

**Object Classification** (in thousands of dollars)

Identification code 17-1109-0-1-051	1986 actual	1987 est.	1988 est.	1989 est.
<b>Direct obligations:</b>				
26.0 Supplies and materials .....		575,487	408,550	403,733
31.0 Equipment .....	1,596,655	988,069	1,014,675	1,195,298
99.0 Subtotal, direct obligations .....	1,596,655	1,563,556	1,423,225	1,599,031
99.0 Reimbursable obligations .....	861	18,417	3,502	3,607
99.9 Total obligations .....	1,597,516	1,581,973	1,426,727	1,602,638

**AIRCRAFT PROCUREMENT, AIR FORCE\***

\*See Part II for additional information.

For construction, procurement, and modification of aircraft and equipment, including armor and armament, specialized ground handling equipment, and training devices, spare parts, and accessories therefor; specialized equipment; expansion of public and private plants, Government-owned equipment and installation thereof in such plants, erection of structures, and acquisition of land, for the foregoing purposes, and such lands and interests therein, may be acquired, and construction prosecuted thereon prior to approval of title; reserve plant and Government and contractor-owned equipment layaway; and other expenses necessary for the foregoing purposes including rents and transportation of things; [ \$17,131,281,000 ] \$14,191,371,000, of which \$625,819,000 shall be available only for the Air National Guard and Air Force Reserve, to remain available for obligation until September 30, [1989: Provided, That none of the funds in this Act may be obligated on B-1B bomber production contracts if such contracts would cause the production portion of the Air Force's \$20,500,000,000 estimate for the B-1B bomber baseline costs expressed in fiscal year 1981 constant dollars to be exceeded; *Provided further*, That notwithstanding the provisions of section 9032 of this Act (A) the Secretary of the Air Force may award a multiyear contract that employs economic order quantity procurement for the purchase of Air Defense Aircraft in accordance with section 2306(h) of title 10, United States Code, without prior notice to Congress if the results of the competitive source selection demonstrate that (1) a multiyear contract will yield significant savings over the amount that would have resulted under an annual contract with the selected offeror; and (2) those savings have a positive present value; (B) the cancellation ceiling associated



## General and special funds—Continued

## AIRCRAFT PROCUREMENT, AIR FORCE—Continued

with the first year of a multiyear contract under subsection (A) may be carried as an unfunded contingent liability subject to section 2306(h)(5) of title 10, United States Code: *Provided further*, That \$151,000,000 is available only for production of T-46A aircraft and related costs: *Provided further*, That \$170,100,000 provided in fiscal year 1986 under this heading is available only for the production of T-46A aircraft and related costs: *Provided further*, That none of the funds provided in this or any prior Act may be used for the T-46A airframe production contract which existed on October 1, 1986 for other than lot one production: *Provided further*, That (1) the maximum program production cost for the T-46A aircraft program is \$3,100,000,000 (in fiscal year 1986 dollars), based upon procurement of 650 aircraft. The maximum production unit cost for such program is \$4,800,000 (in fiscal year 1986 dollars). The program production cost and production unit cost for such program determined for the purposes of this proviso shall be determined without regard to amounts for initial spares. (2) If during any fiscal year, after fiscal year 1987, the maximum program production cost or production unit cost for procurement of 650 aircraft is exceeded, the Secretary of the Air Force may not procure any T-46A aircraft during a later fiscal year no earlier than fiscal year 1989 until the Secretary has conducted a competition for procurement of that aircraft.] 1990.

*Further, for the foregoing purposes, \$17,221,426,000, of which \$743,197,000 shall be available only for the Air National Guard and Air Force Reserve, to become available for obligation of October 1, 1988 and to remain available for obligation until September 30, 1991. (10 U.S.C. 2271-79, 2353, 2386, 2663, 2672, 2672a, 8013, 8062, 9501-02, 9532, 9741-42; 50 U.S.C. 451, 453, 455; Department of Defense Appropriations Act, 1987, as included in Public Laws 99-500 and 99-591, section 101(c); additional authorizing legislation to be proposed.)*

[Notwithstanding any other provisions of this joint resolution, no funds shall be appropriated for the procurement of T-46 aircraft in fiscal year 1987. Funds appropriated in fiscal year 1986 for the procurement of T-46 aircraft shall be available to conduct the competitive fly-off set forth in section 145 of the fiscal year 1987 Defense Authorization Act: *Provided*, That such funds shall not be available for the modification or development of any candidate aircraft for the purposes of that competition. Such competition shall be completed by January 1, 1988. The Air Force shall proceed immediately to prepare for the required competition mandated by section 145: *Provided further*, That section 2304 of said Act (S. 2638) shall not be interpreted to apply to any funds provided for operation and maintenance, design funds, or military construction funds for other than major military construction projects at any military installation or facility.] (Public Law 99-591, providing continuing appropriations for fiscal year 1987, section 115.)

## Program and Financing (in thousands of dollars)

Identification code 57-3010-0-1-051	1986 actual	1987 est.	1988 est.	1989 est.
<b>Program by activities:</b>				
<b>Direct program:</b>				
00.01 Combat aircraft .....	9,040,640	6,189,145	5,759,942	4,888,655
00.02 Airlift aircraft .....	2,296,025	1,514,186	660,993	1,413,851
00.03 Trainer aircraft .....	4,260	153,337	35,687	.....
00.04 Other aircraft .....	417,743	199,193	175,586	28,141
00.05 Modification of inservice aircraft .....	2,674,032	3,297,451	2,363,086	2,483,477
00.06 Aircraft spares and repair parts .....	4,479,988	2,972,536	2,960,406	3,234,800
00.07 Aircraft support equipment and facilities .....	2,568,563	3,759,457	3,635,787	4,812,514
00.91 Total direct program .....	21,481,251	18,085,305	15,591,487	16,861,438
01.01 Reimbursable program .....	212,939	442,939	215,086	219,333
10.00 Total obligations .....	21,694,190	18,528,244	15,806,573	17,080,771
<b>Financing:</b>				
<b>Offsetting collections from:</b>				
11.00 Federal funds .....	-184,999	-205,039	-195,728	-199,593
13.00 Trust funds .....	-19,311	-16,909	-17,207	-17,547
14.00 Non-Federal sources .....	300	-2,114	-2,151	-2,193
17.00 Recovery of prior year obligations .....	-975,904	.....	.....	.....

Unobligated balance available, start of year:				
21.40 For completion of prior year budget plans .....	-9,305,097	-8,997,935	-7,735,694	-6,335,578
21.40 Available to finance new budget plans .....	-1,113,500	-1,356,242	-159,400	-159,400
22.40 Unobligated balance transferred, net .....	926,779	223,442	.....	.....
23.40 Unobligated balance rescinded .....	.....	1,132,800	.....	.....
23.40 Reduction pursuant to P.L. 99-177 in unobligated balance .....	500,069	.....	.....	.....
Unobligated balance available, end of year:				
24.40 For completion of prior year budget plans .....	8,997,935	7,735,694	6,335,578	6,695,566
24.40 Available to finance subsequent year budget plans .....	1,356,242	159,400	159,400	159,400
25.00 Unobligated balance lapsing .....	239,657	.....	.....	.....
39.00 <b>Budget authority .....</b>	<b>22,116,361</b>	<b>17,201,341</b>	<b>14,191,371</b>	<b>17,221,426</b>
<b>Budget authority:</b>				
40.00 Appropriation .....	22,115,908	17,131,281	14,191,371	17,221,426
41.00 Transferred to other accounts .....	-10,147	.....	.....	.....
42.00 Transferred from other accounts .....	10,600	70,060	.....	.....
43.00 <b>Appropriation (adjusted) .....</b>	<b>22,116,361</b>	<b>17,201,341</b>	<b>14,191,371</b>	<b>17,221,426</b>
<b>Relation of obligations to outlays:</b>				
71.00 Obligations incurred net .....	21,490,180	18,304,182	15,591,487	16,861,438
72.40 Obligated balance, start of year .....	31,197,798	32,556,878	31,682,760	29,814,975
74.40 Obligated balance, end of year .....	-32,556,878	-31,682,760	-29,814,975	-31,095,716
77.00 Adjustments in expired accounts .....	-235,642	.....	.....	.....
78.00 Adjustments in unexpired accounts .....	-975,904	.....	.....	.....
90.00 <b>Outlays .....</b>	<b>18,919,553</b>	<b>19,178,300</b>	<b>17,459,272</b>	<b>15,580,697</b>

## Budget Plan (in thousands of dollars)

(amount for procurement actions programmed)

<b>Direct:</b>				
07.01 Combat aircraft .....	9,825,646	5,080,414	4,887,268	5,226,877
07.02 Airlift aircraft .....	2,092,084	1,932,891	750,100	1,065,100
07.03 Trainer aircraft .....	169,936	.....	.....	.....
07.04 Other aircraft .....	600,153	89,464	11,300	13,100
07.05 Modification of inservice aircraft .....	2,698,690	3,046,753	1,907,628	2,470,611
07.06 Aircraft spares and repair parts .....	3,469,522	2,972,446	2,965,967	3,293,159
07.07 Aircraft support equipment and facilities .....	2,561,573	3,919,973	3,669,108	5,152,579
07.91 Total direct .....	21,417,604	17,041,941	14,191,371	17,221,426
08.01 Reimbursable .....	223,122	224,062	215,086	219,333
08.93 <b>Total budget plan .....</b>	<b>21,640,726</b>	<b>17,266,003</b>	<b>14,406,457</b>	<b>17,440,759</b>

## SUMMARY OF BUDGET AUTHORITY AND OUTLAYS

[In thousands of dollars]

<b>Enacted/requested:</b>				
Budget authority .....	22,116,361	17,201,341	14,191,371	17,221,426
Outlays .....	18,919,553	19,178,300	17,459,272	15,580,697
<b>Supplemental—additional authorizing legislation required:</b>				
Budget authority .....	.....	313,700	.....	.....
Outlays .....	.....	5,300	44,828	110,203
<b>Total:</b>				
Budget authority .....	22,116,361	17,515,041	14,191,371	17,221,426
Outlays .....	18,919,553	19,183,600	17,504,100	15,690,900

## Object Classification (in thousands of dollars)

Identification code 57-3010-0-1-051	1986 actual	1987 est.	1988 est.	1989 est.
31.0 Direct obligations: Equipment .....	21,481,251	18,085,305	15,591,487	16,861,438
99.0 Reimbursable obligations .....	212,939	442,939	215,086	219,333
99.9 <b>Total obligations .....</b>	<b>21,694,190</b>	<b>18,528,244</b>	<b>15,806,573</b>	<b>17,080,771</b>



## MISSILE PROCUREMENT, AIR FORCE

For construction, procurement, and modification of missiles, spacecraft, rockets, and related equipment, including spare parts and accessories therefor, ground handling equipment, and training devices; expansion of public and private plants, Government-owned equipment and installation thereof in such plants, erection of structures, and acquisition of land, for the foregoing purposes, and such lands and interests therein, may be acquired and construction prosecuted thereon prior to approval of title; reserve plant and Government and contractor-owned equipment layaway; and other expenses necessary for the foregoing purposes including rents and transportation of things; [\$7,446,718,000] \$9,772,693,000, to remain available for obligation until September 30, [1989: *Provided*, That no funds may be obligated or expended for Lot 1 low-rate production of the Advanced Medium Range Air-to-Air Missile, with the exception of long-lead procurement, until this missile has demonstrated, in flight test, the capability to successfully engage a minimum of two targets with two missiles on the same intercept in an electronic countermeasure environment after the missiles have been launched: *Provided further*, That funds made available for a portion of the MX missile program by the appropriation "Missile Procurement, Air Force, 1985/1987" and prior year funds referred to in that appropriation, shall remain available for the period originally appropriated for the purchase of the first 33 MX missiles of the MX missile program] 1990.

*Further, for the foregoing purposes, \$11,036,102,000, to become available for obligation on October 1, 1988 and to remain available for obligation until September 30, 1991. (10 U.S.C. 1905, 2271-79, 2363, 2386, 2653, 2672, 2672a, 8013, 8062, 9501-02, 9531-32, 9741-42; 50 U.S.C. 451, 453, 455; Department of Defense Appropriations Act, 1987, as included in Public Laws 99-500 and 99-591, section 101(c); additional authorizing legislation to be proposed.)*

## Program and Financing (in thousands of dollars)

Identification code 57-3020-0-1-051	1986 actual	1987 est.	1988 est.	1989 est.
<b>Program by activities:</b>				
<b>Direct program:</b>				
00.01 Ballistic missiles.....	513,388	1,444,430	1,427,770	1,155,745
00.02 Other missiles.....	2,325,519	1,998,598	2,603,702	2,968,334
00.03 Modification of inservice missiles.....	131,857	136,365	160,727	86,811
00.04 Spares and repair parts.....	500,697	271,713	314,513	156,668
00.05 Other support.....	3,524,278	4,088,977	4,848,946	6,361,654
00.91 Total direct program.....	6,995,739	7,940,083	9,355,658	10,729,212
01.01 Reimbursable program.....	120,272	602,902	186,214	224,953
10.00 Total obligations.....	7,116,011	8,542,985	9,541,872	10,954,165
<b>Financing:</b>				
<b>Offsetting collections from:</b>				
11.00 Federal funds.....	-130,505	-502,758	-169,455	-204,707
13.00 Trust funds.....	-20,946	-40,743	-14,897	-17,996
14.00 Non-Federal sources.....	1	-5,093	-1,862	-2,250
17.00 Recovery of prior year obligations.....	-260,301			
<b>Unobligated balance available, start of year:</b>				
21.40 For completion of prior year budget plans.....	-2,798,477	-3,271,878	-3,376,605	-3,793,640
21.40 Available to finance new budget plans.....	-82,800	-671,838		
22.40 Unobligated balance transferred, net.....	-153,513	-649,862		
23.40 Unobligated balance rescinded.....		671,300		
23.40 Reduction pursuant to P.L. 99-177 in unobligated balance.....	140,049			
<b>Unobligated balance available, end of year:</b>				
24.40 For completion of prior year budget plans.....	3,271,878	3,376,605	3,793,640	4,100,530
24.40 Available to finance subsequent year budget plans.....	671,838			
25.00 Unobligated balance lapsing.....	174,898			
39.00 Budget authority.....	7,928,132	7,448,718	9,772,693	11,036,102
<b>Budget authority:</b>				
40.00 Appropriation.....	7,905,132	7,446,718	9,772,693	11,036,102
41.00 Transferred to other accounts.....		-1,000		

42.00 Transferred from other accounts.....	23,000	3,000		
43.00 Appropriation (adjusted).....	7,928,132	7,448,718	9,772,693	11,036,102
<b>Relation of obligations to outlays:</b>				
71.00 Obligations incurred, net.....	6,964,561	7,994,391	9,355,658	10,729,212
72.40 Obligated balance, start of year.....	7,783,415	8,006,915	8,576,906	10,005,264
74.40 Obligated balance, end of year.....	-8,006,915	-8,576,906	-10,005,264	-11,574,876
77.00 Adjustments in expired accounts.....	-8,036			
78.00 Adjustments in unexpired accounts.....	-260,301			
90.00 Outlays.....	6,472,723	7,424,400	7,927,300	9,159,600

Budget Plan (in thousands of dollars)  
(amount for procurement actions programmed)

<b>Direct:</b>				
07.01 Ballistic missiles.....	1,108,726	1,149,595	1,314,508	1,540,243
07.02 Other missiles.....	2,190,850	2,317,856	3,068,490	2,839,883
07.03 Modification of inservice missiles.....	146,301	137,290	149,798	125,709
07.04 Spares and repair parts.....	392,392	291,431	224,116	305,331
07.05 Other support.....	3,837,425	4,154,546	5,015,781	6,224,936
07.91 Total direct.....	7,675,694	8,050,718	9,772,693	11,036,102
08.01 Reimbursable.....	154,440	548,594	186,214	224,953
08.93 Total budget plan.....	7,830,134	8,599,312	9,958,907	11,261,055

## Object Classification (in thousands of dollars)

Identification code 57-3020-0-1-051	1986 actual	1987 est.	1988 est.	1989 est.
31.0 Direct obligations: Equipment.....	6,995,739	7,940,083	9,355,658	10,729,212
99.0 Reimbursable obligations.....	120,272	602,902	186,214	224,953
99.9 Total obligations.....	7,116,011	8,542,985	9,541,872	10,954,165

## OTHER PROCUREMENT, AIR FORCE\*

\*See Part II for additional information.

For procurement and modification of equipment (including ground guidance and electronic control equipment, and ground electronic and communication equipment), and supplies, materials, and spare parts therefor, not otherwise provided for; for the purchase of not to exceed [seven hundred and forty-seven] 1,313 passenger motor vehicles of which [six hundred and fifty-nine] 1,260 shall be for replacement only; and expansion of public and private plants, Government-owned equipment and installation thereof in such plants, erection of structures, and acquisition of land, for the foregoing purposes, and such lands and interests therein, may be acquired, and construction prosecuted thereon, prior to approval of title; reserve plant and Government and contractor-owned equipment layaway; [\$9,254,941,000] \$8,570,482,000, of which \$127,357,000 shall be available only for the Air National Guard and Air Force Reserve, to remain available for obligation until September 30, [1989] 1990.

*Further, for the foregoing purposes, including the purchase of 840 passenger motor vehicles, of which 781 shall be for replacement only; \$9,820,236,000, of which \$123,097,000 shall be available only for the Air National Guard and Air Force Reserve, to become available for obligation on October 1, 1988 and to remain available for obligation until September 30, 1991. (10 U.S.C. 2110, 2353, 2386, 8013, 9505, 9531-32; 50 U.S.C. 491-94; Department of Defense Appropriations Act, 1987, as included in Public Laws 99-500 and 99-591, section 101(c); additional authorizing legislation to be proposed.)*

*[For an additional amount for "Other procurement, Air Force", \$71,385,000.] (Omnibus Drug Supplemental Appropriations Act of 1987, as included in Public Laws 99-500 and 99-591, Title II.)*

## Program and Financing (in thousands of dollars)

Identification code 57-3080-0-1-051	1986 actual	1987 est.	1988 est.	1989 est.
<b>Program by activities:</b>				
<b>Direct program:</b>				
00.01 Munitions and associated equipment.....	1,402,512	786,611	729,635	804,564
00.02 Vehicular equipment.....	315,306	311,009	296,133	314,876



## General and special funds—Continued

## OTHER PROCUREMENT, AIR FORCE—Continued

## Program and Financing (in thousands of dollars)—Continued

Identification code 57-3080-0-1-051	1986 actual	1987 est.	1988 est.	1989 est.
00.03 Electronics and telecommunications equipment.....	1,896,340	2,688,273	2,290,479	3,054,757
00.04 Other base maintenance and support equipment.....	4,681,559	5,250,084	5,371,198	5,313,465
00.91 Total direct program.....	8,295,717	9,035,977	8,687,445	9,487,662
01.01 Reimbursable program.....	396,663	652,725	550,000	540,968
10.00 Total obligations.....	8,692,380	9,688,702	9,237,445	10,028,630
<b>Financing:</b>				
Offsetting collections from:				
11.00 Federal funds.....	-423,158	-574,821	-533,894	-527,712
13.00 Trust funds.....	-10,987	-9,086	-9,000	-9,000
14.00 Non-Federal sources.....	-28	-4,561	-7,106	-4,256
17.00 Recovery of prior year obligations.....	-130,868			
Unobligated balance available, start of year:				
21.40 For completion of prior year budget plans.....	-2,431,216	-2,344,930	-2,571,477	-2,454,514
21.40 Available to finance new budget plans.....	-347,476	-213,997		
22.40 Unobligated balance transferred, net.....	24,350	22,486		
23.40 Unobligated balance rescinded.....	40,000	191,511		
23.40 Reduction pursuant to P.L. 99-177 in unobligated balance.....	134,929			
Unobligated balance available, end of year:				
24.40 For completion of prior year budget plans.....	2,344,930	2,571,477	2,454,514	2,787,088
24.40 Available to finance subsequent year budget plans.....	213,997			
25.00 Unobligated balance lapsing.....	45,709	12,315		
39.00 Budget authority.....	8,152,562	9,339,096	8,570,482	9,820,236
Budget authority:				
40.00 Appropriation.....	8,152,382	9,326,326	8,570,482	9,820,236
41.00 Transferred to other accounts.....		-11,860		
42.00 Transferred from other accounts.....	180	12,315		
43.00 Appropriation (adjusted).....	8,152,562	9,326,781	8,570,482	9,820,236
50.00 Reappropriation.....		12,315		
Relation of obligations to outlays:				
71.00 Obligations incurred, net.....	8,258,207	9,100,234	8,687,445	9,487,662
72.40 Obligated balance, start of year.....	4,843,157	5,727,408	6,582,842	7,006,295
74.40 Obligated balance, end of year.....	-5,727,408	-6,582,842	-7,006,295	-7,731,157
77.00 Adjustments in expired accounts.....	3,086			
78.00 Adjustments in unexpired accounts.....	-130,868			
90.00 Outlays.....	7,246,174	8,244,800	8,263,992	8,762,800

## Budget Plan (in thousands of dollars)

(amount for procurement actions programmed)

<b>Direct:</b>				
07.01 Munitions and associated equipment.....	1,125,557	1,048,893	648,869	842,513
07.02 Vehicular equipment.....	284,787	309,442	273,364	349,465
07.03 Electronics and telecommunications equipment.....	2,267,175	2,404,931	2,176,430	2,708,821
07.04 Other base maintenance and support equipment.....	4,329,657	5,563,515	5,471,819	5,919,437
07.91 Total direct.....	8,007,176	9,326,781	8,570,482	9,820,236
08.01 Reimbursable.....	427,769	588,468	550,000	540,968
08.93 Total budget plan.....	8,434,945	9,915,249	9,120,482	10,361,204

## SUMMARY OF BUDGET AUTHORITY AND OUTLAYS

(In thousands of dollars)

Enacted/requested:	1986 actual	1987 est.	1988 est.	1989 est.
Budget authority.....	8,152,562	9,339,096	8,570,482	9,820,236
Outlays.....	7,246,174	8,244,800	8,263,992	8,762,800
Supplemental—additional authorizing legislation required:				
Budget authority.....		160,000		
Outlays.....		6,800	31,808	45,600
Total:				
Budget authority.....	8,152,562	9,499,096	8,570,482	9,820,236
Outlays.....	7,246,174	8,251,600	8,295,800	8,808,400

## Object Classification (in thousands of dollars)

Identification code 57-3080-0-1-051	1986 actual	1987 est.	1988 est.	1989 est.
31.0 Direct obligations: Equipment.....	8,295,717	9,035,977	8,687,445	9,487,662
99.0 Reimbursable obligations.....	396,663	652,725	550,000	540,968
99.9 Total obligations.....	8,692,380	9,688,702	9,237,445	10,028,630

## PROCUREMENT, DEFENSE AGENCIES

For expenses of activities and agencies of the Department of Defense (other than the military departments) necessary for procurement, production, and modification of equipment, supplies, materials, and spare parts therefor, not otherwise provided for; the purchase of not to exceed two vehicles required for physical security of personnel for replacement only, notwithstanding price limitations applicable to passenger vehicles but not to exceed \$160,000 per vehicle and the purchase of not to exceed [seven hundred and seventy-nine] 535 passenger motor vehicles of which [two hundred and fifty-nine] 524 shall be for replacement only; expansion of public and private plants, equipment, and installation thereof in such plants, erection of structures, and acquisition of land for the foregoing purposes, and such lands and interests therein, may be acquired, and construction prosecuted thereon prior to approval of title; reserve plant and Government and contractor-owned equipment layaway; [\$1,498,256,000] \$1,292,391,000, to remain available for obligation until September 30, [1989] 1990.

Further, for the foregoing purposes, including the purchase of 516 passenger motor vehicles, of which 505 shall be for replacement only; \$1,511,051,000, to become available for obligation on October 1, 1988 and to remain available for obligation until September 30, 1991. (Department of Defense Appropriations Act, 1987, as included in Public Laws 99-500 and 99-591, section 101(c); additional authorizing legislation to be proposed.)

## Program and Financing (in thousands of dollars)

Identification code 97-0300-0-1-051	1986 actual	1987 est.	1988 est.	1989 est.
<b>Program by activities:</b>				
00.01 Direct program: Major equipment.....	1,244,654	1,381,320	1,270,062	1,485,271
01.01 Reimbursable program.....	56,566	197,068	255,900	187,000
10.00 Total obligations.....	1,301,220	1,578,388	1,525,962	1,672,271
<b>Financing:</b>				
Offsetting collections from:				
11.00 Federal funds.....	-45,507	-195,800	-255,900	-187,000
13.00 Trust funds.....	-908			
14.00 Non-Federal sources.....	-3,012			
17.00 Recovery of prior year obligations.....	-31,755			
Unobligated balance available, start of year:				
21.40 For completion of prior year budget plans.....	-405,081	-384,600	-500,268	-522,597
21.40 Available to finance new budget plans.....	-36,000	-18,600		
22.40 Unobligated balance transferred, net.....	20,636	18,600		
23.40 Reduction pursuant to P.L. 99-177 in unobligated balance.....	21,580			



Unobligated balance available, end of year:				
24.40	For completion of prior year budget plans.....	384,600	500,268	522,597
24.40	Available to finance subsequent year budget plans.....	18,600		
25.00	Unobligated balance lapsing.....	4,532		
39.00	<b>Budget authority</b> .....	<b>1,228,906</b>	<b>1,498,256</b>	<b>1,292,391</b>
Budget authority:				
40.00	Appropriation.....	1,238,906	1,498,256	1,292,391
41.00	Transferred to other accounts.....	—10,000		
43.00	<b>Appropriation (adjusted)</b> .....	<b>1,228,906</b>	<b>1,498,256</b>	<b>1,292,391</b>
Relation of obligations to outlays:				
71.00	Obligations incurred, net.....	1,251,793	1,382,588	1,270,062
72.40	Obligated balance, start of year..	844,730	1,109,788	1,263,276
74.40	Obligated balance, end of year....	—1,109,788	—1,263,276	—1,185,438
77.00	Adjustments in expired accounts.....	—1,953		
78.00	Adjustments in unexpired accounts.....	—31,755		
90.00	<b>Outlays</b> .....	<b>953,027</b>	<b>1,229,100</b>	<b>1,347,900</b>

**Budget Plan (in thousands of dollars)**

(amount for procurement actions programmed)

07.01	Direct: Major equipment.....	1,223,906	1,498,256	1,292,391
08.01	Reimbursable.....	55,670	195,800	255,900
08.93	<b>Total budget plan</b> .....	<b>1,279,576</b>	<b>1,694,056</b>	<b>1,548,291</b>

**Object Classification (in thousands of dollars)**

Identification code	97-0300-0-1-051	1986 actual	1987 est.	1988 est.	1989 est.
31.0	Direct obligations: Equipment.....	1,244,654	1,381,320	1,270,062	1,485,271
99.0	Reimbursable obligations.....	56,566	197,068	255,900	187,000
99.9	<b>Total obligations</b> .....	<b>1,301,220</b>	<b>1,578,388</b>	<b>1,525,962</b>	<b>1,672,271</b>

**[NATIONAL GUARD AND RESERVE EQUIPMENT]**

For procurement of aircraft, missiles, tracked combat vehicles, ammunition, other weapons, and other procurement for the reserve components of the Armed Forces, as follows:

Army Reserve, \$90,000,000;  
Army National Guard, \$146,000,000;  
Air National Guard, \$50,000,000;  
Navy Reserve, \$61,000,000;  
Marine Corps Reserve, \$60,000,000;  
Air Force Reserve, \$150,000,000;

In all: \$557,000,000, to remain available for obligation until September 30, 1989. (Department of Defense Appropriations Act, 1987, as included in Public Laws 99-500 and 99-591, section 101(c).)

**Program and Financing (in thousands of dollars)**

Identification code	97-0350-0-1-051	1986 actual	1987 est.	1988 est.	1989 est.
<b>Program by activities:</b>					
00.01	Reserve equipment.....	239,631	636,486	220,798	40,500
00.02	National Guard equipment.....	602,325	249,604	137,781	15,200
10.00	<b>Total obligations (object class 31.0)</b> .....	<b>841,956</b>	<b>886,090</b>	<b>358,579</b>	<b>55,700</b>
<b>Financing:</b>					
17.00	Recovery of prior year obligations.....	—9,565			
21.40	Unobligated balance available, start of year: For completion of prior year budget plans.....	—114,572	—743,369	—414,279	—55,700
23.40	Reduction pursuant to P.L. 99-177 in unobligated balance.....	5,614			
24.40	Unobligated balance available, end of year: For completion of prior year budget plans.....	743,369	414,279	55,700	

25.00	Unobligated balance lapsing.....	2,736			
40.00	<b>Budget authority (appropriation)</b> .....	<b>1,469,538</b>	<b>557,000</b>		
Relation of obligations to outlays:					
71.00	Obligations incurred, net.....	841,956	886,090	358,579	55,700
72.40	Obligated balance, start of year..	486,129	1,250,921	1,874,111	1,773,590
74.40	Obligated balance, end of year....	—1,250,921	—1,874,111	—1,773,590	—1,373,590
77.00	Adjustments in expired accounts.....	—1,111			
78.00	Adjustments in unexpired accounts.....	—9,565			
90.00	<b>Outlays</b> .....	<b>66,487</b>	<b>262,900</b>	<b>459,100</b>	<b>455,700</b>

**Budget Plan (in thousands of dollars)**

(amount for procurement actions programmed)

07.01	Reserve equipment.....	703,975	361,000		
07.02	National Guard equipment.....	765,563	196,000		
08.93	<b>Total budget plan</b> .....	<b>1,469,538</b>	<b>557,000</b>		

Distribution of budget authority by account: National Guard and Reserve equipment, Defense.....				
		1,469,538	557,000	

Distribution of outlays by account:				
National Guard and Reserve equipment, Defense.....				
		64,376	262,900	459,100
Army National Guard equipment.....				
		2,111		

**DEFENSE PRODUCTION ACT PURCHASES**

For purchases or commitments to purchase metals, minerals, or other materials by the Department of Defense pursuant to section 303 of the Defense Production Act of 1950, as amended (50 U.S.C. App. 2093); [\$13,000,000] \$30,800,000, to remain available for obligation until September 30, [1989] 1990.

Further, for the foregoing purposes, \$32,500,000, to become available for obligation on October 1, 1988 and to remain available for obligation until September 30, 1991. (Department of Defense Appropriations Act, 1987, as included in Public Laws 99-500 and 99-591, section 101(c).)

**Program and Financing (in thousands of dollars)**

Identification code	97-0360-0-1-051	1986 actual	1987 est.	1988 est.	1989 est.
<b>Program by activities:</b>					
10.00	<b>Total obligations (object class 26.0)</b> .....		27,199	19,592	23,680
<b>Financing:</b>					
21.40	Unobligated balance available, start of year: For completion of prior year budget plans.....	—10,000	—38,991	—24,792	—36,000
23.40	Reduction pursuant to P.L. 99-177 in unobligated balance.....	490			
24.40	Unobligated balance available, end of year: For completion of prior year budget plans.....	38,991	24,792	36,000	44,820
40.00	<b>Budget authority (appropriation)</b> .....	<b>29,481</b>	<b>13,000</b>	<b>30,800</b>	<b>32,500</b>
Relation of obligations to outlays:					
71.00	Obligations incurred, net.....		27,199	19,592	23,680
72.40	Obligated balance, start of year.....			26,399	43,391
74.40	Obligated balance, end of year.....		—26,399	—43,391	—62,171
90.00	<b>Outlays</b> .....		800	2,600	4,900

**Budget Plan (in thousands of dollars)**

(amount for procurement actions programmed)

07.01	<b>Total budget plan</b> .....	<b>29,481</b>	<b>13,000</b>	<b>30,800</b>	<b>32,500</b>
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## General and special funds—Continued

## [NATO COOPERATIVE DEFENSE PROGRAMS]

## Program and Financing (in thousands of dollars)

Identification Code	97-0370-0-1-051	1986 actual	1987 est.	1988 est.	1989 est.
<b>Program by activities:</b>					
10.00	Total obligations (object class 25.0)		8,559	5,706	
<b>Financing:</b>					
21.40	Unobligated balance available, start of year: For completion of prior year budget plans		—14,265	—5,706	
24.40	Unobligated balance available, end of year: For completion of prior year budget plans	14,265	5,706		
40.00	<b>Budget authority (appropriation)</b>	<b>14,265</b>			
<b>Relation of obligations to outlays:</b>					
71.00	Obligations incurred, net		8,559	5,706	
72.40	Obligated balance, start of year			8,459	12,865
74.40	Obligated balance, end of year		—8,459	—12,865	—9,965
90.00	<b>Outlays</b>		<b>100</b>	<b>1,300</b>	<b>2,900</b>

## Budget Plan (in thousands of dollars)

(amount for procurement actions programmed)

07.01	Total budget plan	14,265			
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## CHEMICAL AGENTS AND MUNITIONS DESTRUCTION, DEFENSE\*

\*See Part II for additional information.

For expenses, not otherwise provided for, necessary for the destruction of the United States stockpile of lethal chemical agents and munitions in accordance with the provisions of section 1412 of the Department of Defense Authorization Act, 1986; [\$118,700,000] \$87,400,000, of which [\$59,900,000] \$83,900,000 shall remain available for obligation until September 30, [1987] 1988, [\$9,600,000] \$3,500,000 shall remain available for obligation until September 30, [1988] 1989, and \$49,200,000 shall remain available for obligation until September 30, 1989].

Further, for the foregoing purposes, \$211,900,000, of which \$88,200,000 shall remain available for obligation until September 30, 1989, \$700,000 shall remain available for obligation until September 30, 1990, and \$123,000,000 shall remain available until September 30, 1991. (Department of Defense Appropriations Act, 1987, as included in Public Laws 99-500 and 99-591, section 101(c); additional authorizing legislation to be proposed.)

## Program and Financing (in thousands of dollars)

Identification code	97-0390-0-1-051	1986 actual	1987 est.	1988 est.	1989 est.
<b>Program by activities:</b>					
00.01	Research, development, test, and evaluation		8,300	3,576	1,924
00.02	Procurement		39,698	7,009	103,455
00.03	Operation and maintenance		59,900	83,900	88,200
10.00	<b>Total obligations</b>		<b>107,898</b>	<b>94,485</b>	<b>193,579</b>
<b>Financing:</b>					
21.40	Unobligated balance available, start of year: For completion of prior year budget plans			—10,802	—3,717
24.40	Unobligated balance available, end of year: For completion of prior year budget plans		10,802	3,717	22,038
40.00	<b>Budget authority (appropriation)</b>		<b>118,700</b>	<b>87,400</b>	<b>211,900</b>
<b>Relation of obligations to outlays:</b>					
71.00	Obligations incurred, net		107,898	94,485	193,579
72.40	Obligated balance, start of year			84,748	128,733
74.40	Obligated balance, end of year		—84,748	—128,733	—227,762
90.00	<b>Outlays</b>		<b>23,150</b>	<b>50,500</b>	<b>94,550</b>

## Budget Plan (in thousands of dollars)

(amount for procurement actions programmed)

07.01	Research, development, test, and evaluation	9,600	3,500	700
07.02	Procurement	49,200		123,000
07.03	Operation and maintenance	59,900	83,900	88,200
08.93	<b>Total budget plan</b>	<b>118,700</b>	<b>87,400</b>	<b>211,900</b>

## SUMMARY OF BUDGET AUTHORITY AND OUTLAYS

(In thousands of dollars)

Enacted/requested:	1986 actual	1987 est.	1988 est.	1989 est.
Budget authority	118,700	87,400	211,900	
Outlays	23,150	50,500	94,550	
<b>Supplemental—additional authorizing legislation required:</b>				
Budget authority	250,000			
Outlays	16,250	72,500	83,750	
<b>Total:</b>				
Budget authority	368,700	87,400	211,900	
Outlays	39,400	123,000	178,300	

## Object Classification (in thousands of dollars)

Identification code	97-0390-0-1-051	1986 actual	1987 est.	1988 est.	1989 est.
11.8	Personnel compensation: Special personal services payments		3,562	3,735	3,735
21.0	Travel and transportation of persons		560	565	565
22.0	Transportation of things		35	36	36
23.2	Rental payments to others		65	70	70
25.0	Other services: Contracts		103,531	89,929	189,023
26.0	Supplies and materials		70	75	75
31.0	Equipment		75	75	75
99.9	<b>Total obligations</b>		<b>107,898</b>	<b>94,485</b>	<b>193,579</b>

## PROCUREMENT OF AIRCRAFT AND MISSILES, NAVY

## Program and Financing (in thousands of dollars)

Identification code	17-1505-0-1-051	1986 actual	1987 est.	1988 est.	1989 est.
<b>Relation of obligations to outlays:</b>					
71.00	Obligations incurred, net				
72.40	Obligated balance, start of year	40,081	49,740	49,740	49,740
74.40	Obligated balance, end of year	—49,740	—49,740	—49,740	—49,740
77.00	Adjustments in expired accounts	7,435			
90.00	<b>Outlays</b>	<b>—2,224</b>			

## PROCUREMENT OF EQUIPMENT AND MISSILES, ARMY

## Program and Financing (in thousands of dollars)

Identification code	21-2030-0-1-051	1986 actual	1987 est.	1988 est.	1989 est.
<b>Relation of obligations to outlays:</b>					
71.00	Obligations incurred, net				
72.10	Receivables in excess of obligations, start of year		—130		
72.40	Obligated balance, start of year	43			
74.10	Receivables in excess of obligations, end of year	130			
77.00	Adjustments in expired accounts	—132	130		
90.00	<b>Outlays</b>	<b>41</b>			

## RESEARCH, DEVELOPMENT, TEST, AND EVALUATION

Programs in this title support modernization through military research, exploratory development, fabrication of technology-demonstration devices, and development



and testing of prototypes and full-scale preproduction hardware. This work is performed by industrial contractors, Government laboratories and facilities, universities and nonprofit organizations.

Research and development programs are funded to cover annual needs. The following table shows RDT&E funding by activity:

Budget Plan				
[In thousands of dollars]				
Summary of program by activities:	1986 actual	1987 est.	1988 est.	1989 est.
1. Technology base.....	3,232,381	3,233,273	3,420,639	3,643,323
2. Advanced technology development.....	4,066,807	4,930,142	7,163,170	8,477,821
3. Strategic programs.....	7,508,952	8,124,680	9,989,998	9,222,921
4. Tactical programs.....	10,265,746	10,998,112	13,726,645	13,826,516
5. Intelligence and communications.....	4,525,113	4,922,771	5,262,070	4,841,956
6. Defensewide mission support.....	4,077,044	4,043,005	4,156,415	4,190,147
Total direct.....	33,676,043	36,251,983	43,718,937	44,202,684

The budget plan for each appropriation is shown as a separate table immediately following the program and financing schedules for those appropriations that are available for obligation for more than one year. In 1988 and 1989, it presents, by budget activity, the value of the program requested for the life of these multiple-year appropriations, with comparable amounts in 1986 and 1987.

During the development of weapon systems, special management emphasis is placed on achieving savings through increased testing, increased competition, and developing realistic budgets.

The 1988/1989 program provides for increased development efforts on the Small Intercontinental Ballistic Missile and hardened mobile launcher, Peacekeeper Follow-on Basing, the Short-Range Attack Missile, the Advanced Technology Bomber, the MILSTAR Communications Satellite System and the Strategic Defense Initiative as well as an advanced Anti-Tank Weapon, a light helicopter (LHX), an advanced tactical fighter, the next generation airlifter (C-17), and the new nuclear attack submarine. Funds are also requested for product improvement to systems which have already been fielded or are in production; such as A-6 Upgrade, F-14D, F-15, and the M1A1.

#### Federal Funds

##### General and special funds:

##### RESEARCH, DEVELOPMENT, TEST, AND EVALUATION, ARMY\*

\*See Part II for additional information.

For expenses necessary for basic and applied scientific research, development, test, and evaluation, including maintenance, rehabilitation, lease, and operation of facilities and equipment, as authorized by law; [\$4,556,076,000] \$5,511,172,000, to remain available for obligation until September 30, [1988] 1989.

Further, for the foregoing purposes, \$5,972,845,000, to become available for obligation on October 1, 1988 and to remain available for obligation until September 30, 1990. (10 U.S.C. 2353, 4503; Department of Defense Appropriations Act, 1987, as included in Public Laws 99-500 and 99-591, section 101(c); additional authorizing legislation to be proposed.)

#### Program and Financing (in thousands of dollars)

Identification code 21-2040-0-1-051	1986 actual	1987 est.	1988 est.	1989 est.
Program by activities:				
Direct program:				
00.01 Technology base.....	807,112	803,400	826,806	847,949

00.02 Advanced technology development.....	464,084	429,015	400,757	480,855
00.03 Strategic programs.....	200,995	249,768	109,043	88,214
00.04 Tactical programs.....	1,937,057	2,131,976	2,818,758	3,234,311
00.05 Intelligence and communications.....	97,321	96,996	122,240	79,337
00.06 Defensewide mission support.....	1,063,674	996,006	1,172,944	1,204,962
00.91 Total direct program.....	4,570,243	4,707,161	5,450,548	5,935,628
01.01 Reimbursable program.....	1,337,222	1,334,000	1,400,500	1,470,500
10.00 Total obligations.....	5,907,465	6,041,161	6,851,048	7,406,128

#### Financing:

Offsetting collections from:				
11.00 Federal funds.....	-1,316,886	-1,317,600	-1,383,300	-1,452,400
13.00 Trust funds.....	-1,408	-2,300	-2,100	-2,200
14.00 Non-Federal sources.....	-9,308	-14,400	-15,100	-15,900
17.00 Recovery of prior year obligations.....	-38,505			
Unobligated balance available, start of year:				
21.40 For completion of prior year budget plans.....	-387,169	-358,987	-423,193	-483,817
21.40 Available to finance new budget plans.....	-96,130	-45,523		
22.40 Unobligated balance transferred, net.....	53,220	-59,750		
23.40 Unobligated balance rescinded.....		45,523		
23.40 Reduction pursuant to P.L. 99-177 in unobligated balance.....	23,681			
Unobligated balance available, end of year:				
24.40 For completion of prior year budget plans.....	358,987	423,193	483,817	521,034
24.40 Available to finance subsequent year budget plans.....	45,523			
25.00 Unobligated balance lapsing.....	23,593	17,300		
39.00 Budget authority.....	4,563,062	4,728,917	5,511,172	5,972,845
Budget authority:				
40.00 Appropriation.....	4,563,062	4,556,076	5,511,172	5,972,845
42.00 Transferred from other accounts.....		140,250		
43.00 Appropriation (adjusted).....	4,563,062	4,696,326	5,511,172	5,972,845
44.10 Supplemental for wage-board pay raises.....		44		
44.20 Supplemental for civilian pay raises.....		292		
44.40 Supplemental for retirement contributions (P.L. 99-335).....		14,955		
50.00 Reappropriation.....		17,300		

#### Relation of obligations to outlays:

71.00 Obligations incurred, net.....	4,579,863	4,707,161	5,450,548	5,935,628
72.40 Obligated balance, start of year.....	2,486,130	3,020,496	3,211,427	3,840,802
74.40 Obligated balance, end of year.....	-3,020,496	-3,211,427	-3,840,802	-4,307,424
77.00 Adjustments in expired accounts.....	-23,237			
78.00 Adjustments in unexpired accounts.....	-38,505			
89.00 Outlays.....	3,983,754	4,516,230	4,821,173	5,469,006
Outlays:				
90.00 Outlays, excluding pay and retirement supplementals.....	3,983,754	4,500,939	4,821,173	5,469,006
91.10 Outlays from wage-board pay raise supplemental.....		44		
91.20 Outlays from civilian pay raise supplemental.....		292		
91.40 Outlays from retirement contribution supplemental.....		14,955		

#### Budget Plan (in thousands of dollars)

(amount for research, development, test, and evaluation actions programmed)

Direct:				
07.01 Technology base.....	804,525	853,437	824,173	850,300
07.02 Advanced technology development.....	483,259	401,221	400,711	488,782
07.03 Strategic programs.....	223,064	219,319	98,136	87,233
07.04 Tactical programs.....	1,957,347	2,050,978	2,882,235	3,264,368



## General and special funds—Continued

RESEARCH, DEVELOPMENT, TEST, AND EVALUATION, ARMY—  
Continued

## Budget Plan (in thousands of dollars)—Continued

07.05	Intelligence and communica-				
	tions .....	94,095	102,281	124,214	74,899
07.06	Defensewide mission support..	1,014,999	1,084,381	1,181,703	1,207,263
07.91	Total direct .....	4,577,289	4,711,617	5,511,172	5,972,845
08.01	Reimbursable .....	1,337,222	1,334,000	1,400,500	1,470,500
08.93	Total budget plan .....	5,914,511	6,045,617	6,911,672	7,443,345

## SUMMARY OF BUDGET AUTHORITY AND OUTLAYS

(In thousands of dollars)

Enacted/requested:	1986 actual	1987 est.	1988 est.	1989 est.
Budget authority .....	4,563,062	4,728,917	5,511,172	5,972,845
Outlays .....	3,983,754	4,516,230	4,821,173	5,469,006
Supplemental—additional authorizing legislation re-				
quired:				
Budget authority .....		43,000		
Outlays .....		5,270	19,827	13,094
Total:				
Budget authority .....	4,563,062	4,771,917	5,511,172	5,972,845
Outlays .....	3,983,754	4,521,500	4,841,000	5,482,100

## Object Classification (in thousands of dollars)

Identification code	21-2040-0-1-051	1986 actual	1987 est.	1988 est.	1989 est.
Direct obligations:					
Personnel compensation:					
11.1	Full-time permanent.....	556,722	511,103	513,152	528,461
11.3	Other than full-time permanent.....	27,836	25,555	25,658	26,427
11.5	Other personnel compensation.....	14,068	12,915	12,966	13,440
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11.9	Total personnel compensation.....	598,626	549,573	551,776	568,328
12.1	Personnel benefits: Civilian.....	69,856	73,302	99,837	106,534
13.0	Benefits for former personnel.....	83	208	193	186
21.0	Travel and transportation of persons.....	39,808	55,000	60,000	65,000
22.0	Transportation of things.....	3,047	10,000	11,000	11,500
23.1	Rental payments to GSA.....	500	3,500	3,700	3,900
23.2	Rental payments to others.....	17,468	23,000	24,000	25,000
23.3	Communications, utilities, and miscella- neous charges.....	11,996	15,000	16,000	17,000
24.0	Printing and reproduction.....	595	2,400	2,600	2,700
Other services:					
25.0	Payments to foreign national indirect hire personnel.....	2,400			500
25.0	Purchases from industrial funds.....	97,500	117,400	146,500	164,300
25.0	Contracts.....	3,471,443	3,569,578	4,217,942	4,635,980
26.0	Supplies and materials.....	117,587	150,000	163,000	173,000
31.0	Equipment.....	130,827	130,000	145,000	152,000
32.0	Lands and structures.....	2,112	2,200	2,500	2,700
41.0	Grants, subsidies, and contributions.....	6,395	6,000	6,500	7,000
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99.0	Subtotal, direct obligations.....	4,570,243	4,707,161	5,450,548	5,935,628
99.0	Reimbursable obligations.....	1,337,222	1,334,000	1,400,500	1,470,500
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99.9	Total obligations.....	5,907,465	6,041,161	6,851,048	7,406,128

## Personnel Summary

Total number of full-time permanent positions .....	26,186	26,080	25,631	26,513
Total compensable workyears:				
Full-time equivalent employment .....	28,375	26,669	25,842	26,869
Full-time equivalent of overtime and holiday				
hours .....	1,212	829	815	855

## RESEARCH, DEVELOPMENT, TEST, AND EVALUATION, NAVY\*

\*See Part II for additional information.

For expenses necessary for basic and applied scientific research, development, test, and evaluation, including maintenance, rehabilitation, lease, and operation of facilities and equipment, as authorized by law; [\$9,326,418,000] \$10,490,412,000, to remain available for obligation until September 30, [1988; of the total amount available for obligation \$173,525,000 is available only for full-scale development of the MK-50 Advanced Lightweight Torpedo Program, \$39,704,000 is

available only for the Low Cost Anti-Radiation Seeker Program, and \$3,000,000 is available only for the Aircrew Impact Injury Prevention Project: *Provided*, That the funds available for the V-22 Osprey Program shall not be subject to obligational limitations set forth in a National Defense Authorization Act for fiscal year 1987: *Provided further*, That funds made available for the Surface ASW Systems Improvement Program shall not be obligated or expended until a Joint Resources Management Board Milestone II decision and a Secretary of Defense Decision Memorandum have approved the initiation of full-scale engineering development: *Provided further*, That \$1,800,000 shall be made available for research and development and related equipment for the Institute for Technology Development, as a grant, for the National Center for Physical Acoustics] 1989.

Further, for the foregoing purposes, \$10,044,819,000, to become available for obligation on October 1, 1988 and to remain available for obligation until September 30, 1990. (10 U.S.C. 174, 2352-54, 7201, 7203, 7522; Department of Defense Appropriations Act, 1987, as included in Public Laws 99-500 and 99-591, section 101(c); additional authorizing legislation to be proposed.)

## Program and Financing (in thousands of dollars)

Identification code	17-1319-0-1-051	1986 actual	1987 est.	1988 est.	1989 est.
<b>Program by activities:</b>					
Direct program:					
00.01	Technology base .....	784,342	761,594	838,327	891,485
00.02	Advanced technology develop-				
	ment .....	86,392	151,886	252,355	295,585
00.03	Strategic programs .....	2,221,337	1,752,237	1,396,077	920,555
00.04	Tactical programs .....	5,064,533	5,114,509	6,053,404	6,199,686
00.05	Intelligence and communica-				
	tions .....	551,407	844,743	1,112,968	985,534
00.06	Defensewide mission support..	800,100	717,461	779,656	773,254
00.91	Total direct program .....	9,508,111	9,342,430	10,432,787	10,066,099
01.01	Reimbursable program .....	165,617	168,144	180,000	200,000
10.00	Total obligations .....	9,673,728	9,510,574	10,612,787	10,266,099
<b>Financing:</b>					
Offsetting collections from:					
11.00	Federal funds .....	-172,038	-156,300	-171,300	-191,300
13.00	Trust funds .....	6,843	-7,300	-7,300	-7,300
14.00	Non-Federal sources .....	-2,581	-1,400	-1,400	-1,400
17.00	Recovery of prior year obliga-				
	tions .....	-14,870			
	Unobligated balance available,				
	start of year:				
21.40	For completion of prior year				
	budget plans .....	-425,286	-464,842	-475,896	-533,521
21.40	Available to finance new				
	budget plans .....	-188,000	-54,878		
22.40	Unobligated balance transferred,				
	net .....	117,288	-3,700		
23.40	Unobligated balance rescinded ..		54,878		
23.40	Reduction pursuant to P.L. 99-				
	177 in unobligated balance ..	29,971			
	Unobligated balance available,				
	end of year:				
24.40	For completion of prior year				
	budget plans .....	464,842	475,896	533,521	512,241
24.40	Available to finance subse-				
	quent year budget plans .....	54,878			
25.00	Unobligated balance lapsing .....	27,268			
39.00	Budget authority .....	9,572,042	9,352,928	10,490,412	10,044,819
Budget authority:					
40.00	Appropriation .....	9,572,042	9,326,418	10,490,412	10,044,819
42.00	Transferred from other accounts ..		25,000		
43.00	Appropriation (adjust-				
	ed) .....	9,572,042	9,351,418	10,490,412	10,044,819
44.20	Supplemental for civil-				
	ian pay raises .....		33		
44.40	Supplemental for retire-				
	ment contributions				
	(P.L. 99-335) .....		1,477		
Relation of obligations to outlays:					
71.00	Obligations incurred, net .....	9,505,952	9,345,574	10,432,787	10,066,099
72.40	Obligated balance, start of year..	5,204,456	5,029,772	5,097,636	6,021,896
74.40	Obligated balance, end of year ..	-5,029,772	-5,097,636	-6,021,896	-6,176,460
77.00	Adjustments in expired accounts ..	1,003			



78.00	Adjustments in unexpired accounts.....	-14,870			
89.00	Outlays.....	9,666,769	9,277,710	9,508,527	9,911,535
Outlays:					
90.00	Outlays, excluding pay and retirement supplementals.....	9,666,769	9,276,200	9,508,527	9,911,535
91.20	Outlays from civilian pay raise supplemental.....		33		
91.40	Outlays from retirement contribution supplemental.....		1,477		

## Budget Plan (in thousands of dollars)

(amount for research, development, test, and evaluation actions programmed)

Direct:					
07.01	Technology base.....	785,873	789,017	840,946	894,426
07.02	Advanced technology development.....	89,867	146,460	258,472	297,745
07.03	Strategic programs.....	2,232,984	1,832,170	1,370,114	894,391
07.04	Tactical programs.....	5,066,813	5,038,022	6,129,941	6,207,442
07.05	Intelligence and communications.....	550,699	849,001	1,128,061	977,239
07.06	Defensewide mission support.....	794,628	698,258	762,878	773,576
07.91	Total direct.....	9,520,864	9,352,928	10,490,412	10,044,819
08.01	Reimbursable.....	149,660	165,000	180,000	200,000
08.93	Total budget plan.....	9,670,524	9,517,928	10,670,412	10,244,819

## SUMMARY OF BUDGET AUTHORITY AND OUTLAYS

(In thousands of dollars)

Enacted/requested:	1986 actual	1987 est.	1988 est.	1989 est.
Budget authority.....	9,572,042	9,352,928	10,490,412	10,044,819
Outlays.....	9,666,769	9,277,710	9,508,527	9,911,535
Supplemental—additional authorizing legislation required:				
Budget authority.....		29,000		
Outlays.....		3,990	14,573	8,265
Total:				
Budget authority.....	9,572,042	9,381,928	10,490,412	10,044,819
Outlays.....	9,666,769	9,281,700	9,523,100	9,919,800

## Object Classification (in thousands of dollars)

Identification code	17-1319-0-1-051	1986 actual	1987 est.	1988 est.	1989 est.
Direct obligations:					
Personnel compensation:					
11.1	Full-time permanent.....	58,360	54,689	56,324	55,561
11.3	Other than full-time permanent.....	4,799	2,287	2,326	2,310
11.5	Other personnel compensation.....	1,965	1,974	2,098	2,072
11.8	Special personal services payments.....	3			
11.9	Total personnel compensation.....	65,127	58,950	60,748	59,943
12.1	Personnel benefits: Civilian.....	7,532	7,441	10,717	11,093
13.0	Benefits for former personnel.....	33			
21.0	Travel and transportation of persons.....	15,856	15,645	17,471	16,857
22.0	Transportation of things.....	2,589	2,554	2,851	2,751
23.3	Communications, utilities, and miscellaneous charges.....	10,076	9,942	11,102	10,712
24.0	Printing and reproduction.....	1,403	1,374	1,534	1,480
Other services:					
25.0	Payments to foreign national indirect hire personnel.....	100	97	121	123
25.0	Purchases from industrial funds.....	1,616,493	1,595,040	1,781,197	1,718,592
25.0	Contracts.....	6,739,255	6,616,018	7,390,840	7,129,023
25.0	Other.....	997,826	984,583	1,099,493	1,060,805
26.0	Supplies and materials.....	9,562	9,428	10,528	10,158
31.0	Equipment.....	19,502	19,182	21,421	20,668
32.0	Lands and structures.....	7,757	7,654	8,547	8,247
41.0	Grants, subsidies, and contributions.....	15,000	14,522	16,217	15,647
99.0	Subtotal, direct obligations.....	9,508,111	9,342,430	10,432,787	10,066,099
99.0	Reimbursable obligations.....	165,617	168,144	180,000	200,000
99.9	Total obligations.....	9,673,728	9,510,574	10,612,787	10,266,099

## Personnel Summary

Total number of full-time permanent positions.....	2,120	2,314	2,318	2,305
Total compensable workyears:				
Full-time equivalent employment.....	2,762	2,695	2,725	2,713
Full-time equivalent of overtime and holiday hours.....	54	51	52	53

## RESEARCH, DEVELOPMENT, TEST, AND EVALUATION, AIR FORCE\*

\*See Part II for additional information.

For expenses necessary for basic and applied scientific research, development, test, and evaluation, including maintenance, rehabilitation, lease, and operation of facilities and equipment, as authorized by law; [\$15,062,783,000] \$18,623,383,000, to remain available for obligation until September 30, [1988; of the total amount available for obligation \$17,375,000 is available only for the Low Cost Seeker Program] 1989.

Further, for the foregoing purposes, \$17,728,571,000, to become available for obligation on October 1, 1988 and to remain available for obligation until September 30, 1990, (10 U.S.C. 174, 1581, 1584, 2271-79, 2352-54, 2386, 2663, 2672, 2672a, 8012, 9503-04, 9532; 42 U.S.C. 1891-92; 50 U.S.C. App. 2093(g); Department of Defense Appropriations Act, 1987, as included in Public Laws 99-500 and 99-591, section 101(c); additional authorizing legislation to be proposed.)

## Program and Financing (in thousands of dollars)

Identification code	57-3600-0-1-051	1986 actual	1987 est.	1988 est.	1989 est.
Program by activities:					
Direct program:					
00.01	Technology base .....	758,957	709,586	825,162	824,931
00.02	Advanced technology develop- ment .....	622,344	599,409	897,545	1,085,013
00.03	Strategic programs .....	4,907,089	6,024,929	8,179,390	9,045,874
00.04	Tactical programs .....	2,549,513	3,828,147	4,177,106	3,487,275
00.05	Intelligence and communica- tions .....	2,191,736	2,161,094	2,557,611	1,868,163
00.06	Defensewide mission support..	1,962,625	1,918,514	1,642,608	1,492,911
00.91	Total direct program .....	12,992,264	15,241,679	18,279,422	17,804,167
01.01	Reimbursable program .....	1,637,531	1,863,160	2,068,148	2,206,998
10.00	Total obligations .....	14,629,795	17,104,839	20,347,570	20,011,165
Financing:					
Offsetting collections from:					
11.00	Federal funds .....	-1,566,672	-1,833,145	-2,037,513	-2,168,854
13.00	Trust funds .....	-59,699	-20,015	-18,635	-18,144
14.00	Non-Federal sources .....	-11,160	-10,000	-12,000	-20,000
17.00	Recovery of prior year obliga- tions .....	-34,715			
Unobligated balance available, start of year:					
21.40	For completion of prior year budget plans .....	-1,484,651	-1,578,110	-1,725,192	-2,069,153
21.40	Available to finance new budget plans .....	-264,000	-181,000		
22.40	Unobligated balance transferred, net .....	18,564	-223,063		
23.40	Unobligated balance rescinded .....		167,000		
23.40	Reduction pursuant to P.L. 99- 177 in unobligated balance .....	85,684			
Unobligated balance available, end of year:					
24.40	For completion of prior year budget plans .....	1,578,110	1,725,192	2,069,153	1,993,557
24.40	Available to finance subse- quent year budget plans .....	181,000			
25.00	Unobligated balance lapsing .....	37,213	11,874		
39.00	Budget authority .....	13,109,468	15,163,572	18,623,383	17,728,571
Budget authority:					
40.00	Appropriation .....	13,046,016	15,062,783	18,623,383	17,728,571
41.00	Transferred to other accounts .....	-30,000			
42.00	Transferred from other accounts .....	93,452	75,000		
43.00	Appropriation (adjust- ed) .....	13,109,468	15,137,783	18,623,383	17,728,571
44.10	Supplemental for wage- board pay raises .....		35		



## General and special funds—Continued

RESEARCH, DEVELOPMENT, TEST, AND EVALUATION, AIR FORCE—  
Continued

## Program and Financing (in thousands of dollars)—Continued

Identification code	57-3600-0-1-051	1986 actual	1987 est.	1988 est.	1989 est.
44.20	Supplemental for civilian pay raises .....		271		
44.40	Supplemental for retirement contributions (P.L. 99-335) .....		13,609		
50.00	Reappropriation .....		11,874		
Relation of obligations to outlays:					
71.00	Obligations incurred, net .....	12,992,264	15,241,679	18,279,422	17,804,167
72.40	Obligated balance, start of year .....	7,461,531	6,979,199	8,233,788	10,412,596
74.40	Obligated balance, end of year .....	-6,979,199	-8,233,788	-10,412,596	-10,980,253
77.00	Adjustments in expired accounts .....	-22,422			
78.00	Adjustments in unexpired accounts .....	-34,715			
89.00	Outlays .....	13,417,459	13,987,090	16,100,614	17,236,510
Outlays:					
90.00	Outlays, excluding pay and retirement supplementals .....	13,417,459	13,973,175	16,100,614	17,236,510
91.10	Outlays from wage-board pay raise supplemental .....		35		
91.20	Outlays from civilian pay raise supplemental .....		271		
91.40	Outlays from retirement contribution supplemental .....		13,609		

## Budget Plan (in thousands of dollars)

(amount for research, development, test, and evaluation actions programmed)

Direct:					
07.01	Technology base .....	747,027	772,540	831,666	876,233
07.02	Advanced technology development .....	617,206	641,597	929,179	986,771
07.03	Strategic programs .....	4,974,078	6,006,106	8,435,403	8,137,069
07.04	Tactical programs .....	2,596,667	3,688,369	4,237,511	3,968,597
07.05	Intelligence and communications .....	2,204,013	2,319,382	2,587,055	2,266,731
07.06	Defensewide mission support .....	2,021,977	1,960,767	1,602,569	1,493,170
07.91	Total direct .....	13,160,968	15,388,761	18,623,383	17,728,571
08.01	Reimbursable .....	1,620,171	1,863,160	2,068,148	2,206,998
08.93	Total budget plan .....	14,781,139	17,251,921	20,691,531	19,935,569

## SUMMARY OF BUDGET AUTHORITY AND OUTLAYS

(In thousands of dollars)

Enacted/requested:	1986 actual	1987 est.	1988 est.	1989 est.
Budget authority .....	13,109,468	15,163,572	18,623,383	17,728,571
Outlays .....	13,417,459	13,987,090	16,100,614	17,236,510
Supplemental—additional authorizing legislation required:				
Budget authority .....		28,000		
Outlays .....		3,710	13,686	8,190
Total:				
Budget authority .....	13,109,468	15,191,572	18,623,383	17,728,571
Outlays .....	13,417,459	13,990,800	16,114,300	17,244,700

## Object Classification (in thousands of dollars)

Identification code	57-3600-0-1-051	1986 actual	1987 est.	1988 est.	1989 est.
Direct obligations:					
Personnel compensation:					
11.1	Full-time permanent .....	583,451	602,898	245,512	248,744
11.3	Other than full-time permanent .....	11,055	6,930	2,801	2,838
11.5	Other personnel compensation .....	19,297	13,678	5,646	5,720
11.9	Total personnel compensation .....	613,803	623,506	253,959	257,302
12.1	Personnel benefits: Civilian .....	71,764	69,298	28,208	28,581
21.0	Travel and transportation of persons .....	86,862	87,430	96,184	89,633
22.0	Transportation of things .....	1,316	2,741	3,015	2,810
23.2	Rental payments to others .....	67,121	67,371	74,117	69,069
24.0	Printing and reproduction .....	1,762	1,869	2,056	1,916

Other services:					
25.0	Purchases from industrial funds .....	46,063	46,617	51,284	47,791
25.0	Contracts .....	11,962,751	14,190,821	17,603,350	17,151,207
26.0	Supplies and materials .....	85,546	92,048	101,265	94,368
31.0	Equipment .....	55,276	59,978	65,984	61,490
99.0	Subtotal, direct obligations .....	12,992,264	15,241,679	18,279,422	17,804,167
99.0	Reimbursable obligations .....	1,637,531	1,863,160	2,068,148	2,206,998
99.9	Total obligations .....	14,629,795	17,104,839	20,347,570	20,011,165

## Personnel Summary

Total number of full-time permanent positions .....	18,576	19,376	11,454	11,547
Total compensable workyears:				
Full-time equivalent employment .....	19,321	19,426	10,381	10,401
Full-time equivalent of overtime and holiday hours .....	287	287	286	288

RESEARCH, DEVELOPMENT, TEST, AND EVALUATION, DEFENSE  
AGENCIES\*

\*See Part II for additional information.

## (INCLUDING TRANSFER OF FUNDS)

For expenses of activities and agencies of the Department of Defense (other than the military departments), necessary for basic and applied scientific research, development, test, and evaluation; advanced research projects as may be designated and determined by the Secretary of Defense, pursuant to law; maintenance, rehabilitation, lease, and operation of facilities and equipment, as authorized by law; [\$6,742,091,000] \$8,811,532,000, to remain available for obligation until September 30, [1988: *Provided*, That such amounts as may be determined by the Secretary of Defense to have been made available in other appropriations available to the Department of Defense during the current fiscal year for programs related to advanced research may be transferred to and merged with this appropriation to be available for the same purposes and time period: *Provided further*, That such amounts of this appropriation as may be determined by the Secretary of Defense may be transferred to carry out the purposes of advanced research to those appropriations for military functions under the Department of Defense which are being utilized for related programs to be merged with and to be available for the same time period as the appropriation to which transferred: *Provided further*, That \$200,000,000 is available to the Secretary of Defense only for the Conventional Defense Initiatives (CDI) program, which shall include conventional defense initiatives and conventional applications of the technologies developed under the Strategic Defense Initiative (SDI): *Provided further*, That such funds shall be under the control and management of the Secretary of Defense, who, with the concurrence of the Joint Chiefs of Staff, shall develop a plan for the utilization of emerging technologies for conventional applications including such technologies applicable from the Strategic Defense Initiative: *Provided further*, That not more than \$100,000,000 of these funds shall be obligated or expended until the Secretary of Defense identifies the specific technology development efforts to be drawn from SDI, and the conventional defense applications for which they will be utilized. None of the restricted funds shall be obligated or expended until 15 days after the Secretary of Defense provides such notification to Congress, but not earlier than July 1, 1987: *Provided further*, That no portion of the \$200,000,000 made available to the Secretary of Defense be applied to any program, project, or activity in support of the Strategic Defense Initiative: *Provided further*, That \$55,000,000 of funds made available for the National Aerospace Plane (NASP) Program may not be obligated or expended until the Secretary of Defense certifies that the Department of Defense and the National Aeronautics and Space Administration (NASA) have negotiated revised funding arrangements for NASP development which significantly increase NASA investment as a percentage of total NASP research, development, test and evaluation costs and which incorporate mandatory industry investment out of private capital] 1989.

*Further, for the foregoing purposes, \$10,120,664,000, to become available for obligation on October 1, 1988 and to remain available for obligation until September 30, 1990.*

*Such amounts as may be determined by the Secretary of Defense to have been made available in other appropriations available to the Department of Defense during the current fiscal year or the following fiscal year, as appropriate, for programs related to advanced research*



may be transferred to and merged with either of the foregoing appropriations, as appropriate, to be available for the same purposes and time period as the appropriation to which transferred: Provided, That during their period of availability, such amounts of the foregoing appropriations as may be determined by the Secretary of Defense may be transferred to carry out the purposes of advanced research to those appropriations for military functions under the Department of Defense which are being utilized for related programs to be merged with and to be available for the same time period as the appropriation to which transferred. (Department of Defense Appropriations Act, 1987, as included in Public Laws 99-500 and 99-591, section 101(c); additional authorizing legislation to be proposed.)

## Program and Financing (in thousands of dollars)

Identification code	97-0400-0-1-051	1986 actual	1987 est.	1988 est.	1989 est.
<b>Program by activities:</b>					
<b>Direct program:</b>					
00.01	Technology base	856,676	902,234	854,944	1,018,993
00.02	Advanced technology development	2,872,784	3,563,799	5,580,366	6,622,620
00.03	Strategic programs	89,904	68,462	82,100	101,105
00.04	Tactical programs	558,135	332,364	162,480	145,640
00.05	Intelligence and communications	1,601,661	1,655,857	1,707,333	1,768,178
00.06	Defensewide mission support	109,598	204,101	265,563	365,122
00.91	Total direct program	6,088,758	6,726,817	8,652,786	10,021,658
01.01	Reimbursable program	107,100	180,210	152,750	163,700
10.00	Total obligations	6,195,858	6,907,027	8,805,536	10,185,358
<b>Financing:</b>					
<b>Offsetting collections from:</b>					
11.00	Federal funds	-94,545	-180,050	-152,500	-163,400
13.00	Trust funds	-3,043			
14.00	Non-Federal sources	-9,087	-150	-250	-300
17.00	Recovery of prior year obligations	-21,221			
<b>Unobligated balance available, start of year:</b>					
21.40	For completion of prior year budget plans	-365,495	-486,381	-513,575	-672,321
21.40	Available to finance new budget plans	-82,000	-48,400		
22.40	Unobligated balance transferred, net	63,082	-100,150		
23.40	Unobligated balance rescinded		48,400		
23.40	Reduction pursuant to P.L. 99-177 in unobligated balance	21,906			
<b>Unobligated balance available, end of year:</b>					
24.40	For completion of prior year budget plans	486,381	513,575	672,321	771,327
24.40	Available to finance subsequent year budget plans	48,400			
25.00	Unobligated balance lapsing	9,917			
39.00	<b>Budget authority</b>	<b>6,250,154</b>	<b>6,653,871</b>	<b>8,811,532</b>	<b>10,120,664</b>
<b>Budget authority:</b>					
40.00	Appropriation	6,312,154	6,742,091	8,811,532	10,120,664
41.00	Transferred to other accounts	-62,000	-93,500		
43.00	<b>Appropriation (adjusted)</b>	<b>6,250,154</b>	<b>6,648,591</b>	<b>8,811,532</b>	<b>10,120,664</b>
44.10	Supplemental for wage-board pay raises		2		
44.20	Supplemental for civilian pay raises		113		
44.40	Supplemental for retirement contributions (P.L. 99-335)		5,165		
<b>Relation of obligations to outlays:</b>					
71.00	Obligations incurred, net	6,089,183	6,726,827	8,652,786	10,021,658
72.40	Obligated balance, start of year	2,120,950	3,048,406	3,565,563	4,869,936
74.40	Obligated balance, end of year	-3,048,406	-3,565,563	-4,869,936	-5,904,549
77.00	Adjustments in expired accounts	2,737			
78.00	Adjustments in unexpired accounts	-21,221			
89.00	<b>Outlays</b>	<b>5,143,245</b>	<b>6,209,670</b>	<b>7,348,413</b>	<b>8,987,045</b>

<b>Outlays:</b>					
90.00	Outlays, excluding pay and retirement supplementals	5,143,245	6,204,390	7,348,413	8,987,045
91.10	Outlays from wage-board pay raise supplemental		2		
91.20	Outlays from civilian pay raise supplemental		113		
91.40	Outlays from retirement contribution supplemental		5,165		

## Budget Plan (in thousands of dollars)

(amount for research, development, test, and evaluation actions programmed)

<b>Direct:</b>					
07.01	Technology base	894,956	818,279	923,854	1,022,364
07.02	Advanced technology development	2,876,475	3,740,864	5,574,808	6,704,523
07.03	Strategic programs	78,826	67,085	86,345	104,228
07.04	Tactical programs	644,919	261,095	167,315	144,012
07.05	Intelligence and communications	1,676,306	1,611,755	1,732,383	1,765,184
07.06	Defensewide mission support	131,722	168,393	326,827	380,353
07.91	Total direct	6,303,204	6,667,471	8,811,532	10,120,664
08.01	Reimbursable	103,204	180,200	152,750	163,700
08.93	Total budget plan	6,406,408	6,847,671	8,964,282	10,284,364

## SUMMARY OF BUDGET AUTHORITY AND OUTLAYS

(In thousands of dollars)

<b>Enacted/requested:</b>				
Budget authority	1986 actual	1987 est.	1988 est.	1989 est.
Budget authority	6,250,154	6,653,871	8,811,532	10,120,664
Outlays	5,143,245	6,209,670	7,348,413	8,987,045
<b>Supplemental—additional authorizing legislation required:</b>				
Budget authority		518,000		
Outlays		64,130	245,687	167,055
<b>Total:</b>				
Budget authority	6,250,154	7,171,871	8,811,532	10,120,644
Outlays	5,143,245	6,273,800	7,594,100	9,154,100

## Object Classification (in thousands of dollars)

Identification code	97-0400-0-1-051	1986 actual	1987 est.	1988 est.	1989 est.
<b>Direct obligations:</b>					
<b>Personnel compensation:</b>					
11.1	Full-time permanent	48,287	83,569	99,106	104,559
11.3	Other than full-time permanent	158	1,642	1,492	1,342
11.5	Other personnel compensation	701	1,417	1,699	1,793
11.8	Special personal services payments	507	560	560	560
11.9	Total personnel compensation	49,653	87,188	102,857	108,254
12.1	Personnel benefits: Civilian	5,034	10,084	12,026	12,713
21.0	Travel and transportation of persons	17,746	20,509	22,568	23,545
22.0	Transportation of things	392	923	1,241	1,209
23.1	Rental payments to GSA	4,891	3,090	3,430	3,490
23.2	Rental payments to others	10,488	14,160	15,923	16,993
23.3	Communications, utilities, and miscellaneous charges	12,747	9,945	14,674	13,060
24.0	Printing and reproduction	442	2,102	2,499	2,753
<b>Other services:</b>					
25.0	Purchases from industrial funds	53,878	57,650	61,685	66,000
25.0	Contracts	5,698,749	6,139,195	8,018,710	9,344,294
25.0	Other	102,765	219,048	230,115	251,157
26.0	Supplies and materials	16,986	18,484	19,916	20,483
31.0	Equipment	113,322	140,505	143,587	154,289
41.0	Grants, subsidies, and contributions	1,665	3,934	3,555	3,418
99.0	Subtotal, direct obligations	6,088,758	6,726,817	8,652,786	10,021,658
99.0	Reimbursable obligations	107,100	180,210	152,750	163,700
99.9	Total obligations	6,195,858	6,907,027	8,805,536	10,185,358

## Personnel Summary

Total number of full-time permanent positions	940	1,112	1,167	1,177
<b>Total compensable workyears:</b>				
Full-time equivalent employment	1,249	1,458	1,504	1,503
Full-time equivalent of overtime and holiday hours	15	18	18	18



## General and special funds—Continued

## DEVELOPMENTAL TEST AND EVALUATION, DEFENSE\*

\*See Part II for additional information.

For expenses, not otherwise provided for, of independent activities of the Deputy Under Secretary of Defense, Developmental Test and Evaluation in the direction and supervision of developmental test and evaluation, including performance of joint developmental testing and evaluation; and administrative expenses in connection therewith; [\$105,546,000] \$178,217,000, to remain available for obligation until September 30, [1988] 1989.

Further, for the foregoing purposes, \$186,128,000, to become available for obligation on October 1, 1988 and to remain available for obligation until September 30, 1990. (Department of Defense Appropriations Act, 1987, as included in Public Laws 99-500 and 99-591, section 101(c); additional authorizing legislation to be proposed.)

## Program and Financing (in thousands of dollars)

Identification code 97-0450-0-1-051	1986 actual	1987 est.	1988 est.	1989 est.
<b>Program by activities:</b>				
10.00 Defensewide mission support—Total obligations.....	117,102	107,822	163,639	184,150
<b>Financing:</b>				
17.00 Recovery of prior year obligations.....	-959			
Unobligated balance available, start of year:				
21.40 For completion of prior year budget plans.....	-21,668	-17,892	-29,976	-44,554
21.40 Available to finance new budget plans.....		-200		
23.40 Unobligated balance rescinded.....		200		
23.40 Reduction pursuant to P.L. 99-177 in unobligated balance.....	1,062			
Unobligated balance available, end of year:				
24.40 For completion of prior year budget plans.....	17,892	29,976	44,554	46,532
24.40 Available to finance subsequent year budget plans.....	200			
25.00 Unobligated balance lapsing.....	289			
39.00 <b>Budget authority</b> .....	<b>113,918</b>	<b>119,906</b>	<b>178,217</b>	<b>186,128</b>
<b>Budget authority:</b>				
40.00 Appropriation.....	113,918	105,546	178,217	186,128
42.00 Transferred from other accounts.....		14,360		
43.00 <b>Appropriation (adjusted)</b> .....	<b>113,918</b>	<b>119,906</b>	<b>178,217</b>	<b>186,128</b>
<b>Relation of obligations to outlays:</b>				
71.00 Obligations incurred, net.....	117,102	107,822	163,639	184,150
72.40 Obligated balance, start of year.....	36,233	80,227	86,588	118,527
74.40 Obligated balance, end of year.....	-80,227	-86,588	-118,527	-137,138
77.00 Adjustments in expired accounts.....	-559			
78.00 Adjustments in unexpired accounts.....	-959			
90.00 <b>Outlays</b> .....	<b>71,589</b>	<b>101,461</b>	<b>131,700</b>	<b>165,539</b>

## Budget Plan (in thousands of dollars)

(amount for research, development, test, and evaluation actions programmed)

07.06 Defensewide mission support—Total budget plan.....	113,718	119,906	178,217	186,128
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## Object Classification (in thousands of dollars)

Identification code 97-0450-0-1-051	1986 actual	1987 est.	1988 est.	1989 est.
21.0 Travel and transportation of persons.....	90	80	80	95
25.0 Contracts.....	1,050	3,350	3,550	3,850
25.0 Other services.....	115,962	104,392	160,009	180,205
99.9 <b>Total obligations</b> .....	<b>117,102</b>	<b>107,822</b>	<b>163,639</b>	<b>184,150</b>

## SUMMARY OF BUDGET AUTHORITY AND OUTLAYS

(In thousands of dollars)

Enacted/requested:	1986 actual	1987 est.	1988 est.	1989 est.
Budget authority.....	113,918	119,906	178,217	186,128
Outlays.....	71,589	101,461	131,700	165,539

Supplemental—additional authorizing legislation required:

Budget authority.....	30,000			
Outlays.....	2,139	10,200	12,561	
<b>Total:</b>				
Budget authority.....	113,918	149,906	178,217	186,128
Outlays.....	71,589	103,600	141,900	178,100

## OPERATIONAL TEST AND EVALUATION, DEFENSE\*

\*See Part II for additional information.

For expenses, not otherwise provided for, necessary for the independent activities of the Director, Operational Test and Evaluation in the direction and supervision of operational test and evaluation, including initial operational test and evaluation which is conducted prior to, and in support of, production decisions; joint operational testing and evaluation; and administrative expenses in connection therewith; [\$11,300,000] \$104,221,000, to remain available for obligation until September 30, [1988] 1989.

Further, for the foregoing purposes, \$149,657,000, to become available for obligation on October 1, 1988 and to remain available for obligation until September 30, 1990. (Department of Defense Appropriations Act, 1987, as included in Public Laws 99-500 and 99-591, section 101(c); additional authorizing legislation to be proposed.)

## Program and Financing (in thousands of dollars)

Identification code 97-0460-0-1-051	1986 actual	1987 est.	1988 est.	1989 est.
<b>Program by activities:</b>				
10.00 Defensewide mission support—Total obligations.....		10,170	94,929	145,113
<b>Financing:</b>				
21.40 Unobligated balance available, start of year: For completion of prior year budget plans.....			-1,130	-10,422
24.40 Unobligated balance available, end of year: For completion of prior year budget plans.....		1,130	10,422	14,966
40.00 <b>Budget authority (appropriation)</b> .....		<b>11,300</b>	<b>104,221</b>	<b>149,657</b>
<b>Relation of obligations to outlays:</b>				
71.00 Obligations incurred, net.....		10,170	94,929	145,113
72.40 Obligated balance, start of year.....			6,950	66,419
74.40 Obligated balance, end of year.....		-6,950	-66,419	-114,392
90.00 <b>Outlays</b> .....		<b>3,220</b>	<b>35,460</b>	<b>97,140</b>

## Budget Plan (in thousands of dollars)

(amount for research, development, test, and evaluation actions programmed)

07.06 Defensewide mission support—Total budget plan.....	11,300	104,221	149,657	
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## SUMMARY OF BUDGET AUTHORITY AND OUTLAYS

(In thousands of dollars)

Enacted/requested:	1986 actual	1987 est.	1988 est.	1989 est.
Budget authority.....		11,300	104,221	149,657
Outlays.....		3,220	35,460	97,140
<b>Supplemental—additional authorizing legislation required:</b>				
Budget authority.....		46,000		
Outlays.....		3,280	15,640	19,260
<b>Total:</b>				
Budget authority.....		57,300	104,221	149,657
Outlays.....		6,500	51,100	116,400

## Object Classification (in thousands of dollars)

Identification code 97-0460-0-1-051	1986 actual	1987 est.	1988 est.	1989 est.
21.0 Travel and transportation of persons.....		75	80	85
25.0 Other services: Contracts.....		10,095	94,849	145,028
99.9 <b>Total obligations</b> .....		<b>10,170</b>	<b>94,929</b>	<b>145,113</b>



## MILITARY CONSTRUCTION

The budget plan for each appropriation is shown as a separate table immediately following the program and financing schedules for those appropriations that are available for obligation for more than one year. In 1988 and 1989, it presents, by budget activity, the value of the program requested for the life of these multiple-year appropriations, with comparable amounts in 1986 and 1987.

The direct military construction programs for the Armed Forces, both Active and Reserve, shown in the individual schedules of this title are summarized in the following table (in thousands of dollars):

MILITARY CONSTRUCTION PROGRAM				
	1986 actual	1987 est.	1988 est.	1989 est.
Active Forces.....	4,641,070	3,882,745	4,757,672	5,052,426
Reserve Forces.....	370,540	479,958	579,337	522,323
Interservice activities.....	211,998	786,170	1,295,200	1,350,000
Total.....	5,223,608	5,148,873	6,632,209	6,924,749

The 1988 and 1989 military construction programs will support new construction needed to accommodate force structure changes such as the Navy's strategic homeporting initiative and the Army's conversion to light infantry divisions. The Military Construction programs are also intended to provide facilities required as a result of new weapon systems entering the inventory including naval vessels, Ground Launched Cruise Missiles, Peacekeeper, and the Trident II Weapon System. The program continues initiatives to improve living and working conditions, to reduce operating costs, increase productivity, and conserve energy by upgrading or replacing facilities which have become functionally obsolete or can be made more efficient through relatively modest investments in improvements.

## Federal Funds

## General and special funds:

## MILITARY CONSTRUCTION, ARMY\*

\*See Part II for additional information.

## [(INCLUDING RESCISSION)]

For acquisition, construction, installation, and equipment of temporary or permanent public works, military installations, facilities, and real property for the Army as currently authorized by law, and for construction and operation of facilities in support of the functions of the Commander-in-Chief, **[\$1,260,110,000]** **\$1,191,700,000**, to remain available until September 30, **[1991]** **1992: Provided**, That of this amount, not to exceed **[\$131,000,000]** **\$133,120,000** shall be available for study, planning, design, architect and engineer services, as authorized by law, unless the Secretary of Defense determines that additional obligations are necessary for such purposes and notifies the Committees on Appropriations of both Houses of Congress of his determination and the reasons therefor: **Provided further**, That of the amount available for study, planning, design, architect and engineer services, **\$1,000,000** shall be available for the design of facilities at Fort Benning, Georgia necessary due to the establishment of the United States Army School of the Americas at Fort Benning: **Provided further**, That of the funds available for obligation for "Military Construction, Army" under Public Law 99-173, **\$36,400,000** is hereby rescinded. In addition, for construction at Fort Drum, New York, there is appropriated in advance to be available for obligation in fiscal year 1988, **\$221,000,000**, to remain available until September 30, 1992, and to be available for obligation in fiscal year 1989, **\$214,000,000**, to remain available until September 30, 1993].

Further, for the foregoing purposes, **\$1,273,300,000** to become available for obligation on October 1, 1988 and to remain available for

obligation until September 30, 1993: **Provided**, That of this amount, not to exceed **\$131,710,000** shall be available for study, planning, design, architect and engineer services, as authorized by law, unless the Secretary of Defense determines that additional obligations are necessary for such purposes and notifies the Committees on Appropriations of both Houses of Congress of his determination and the reasons therefor: (10 U.S.C. 2675, 2802-05, 2807, 2828, 2851-54, 2857; Military Construction Appropriations Act, 1987, as included in Public Laws 99-500 and 99-591, section 101(k); additional authorizing legislation to be proposed.)

## Program and Financing (in thousands of dollars)

Identification code 21-2050-0-1-051	1986 actual	1987 est.	1988 est.	1989 est.
<b>Program by activities:</b>				
<b>Direct program:</b>				
00.01 Major construction.....	1,671,014	795,391	1,124,219	1,195,793
00.02 Minor construction.....	20,958	22,680	14,799	18,390
00.03 Planning.....	176,222	133,259	130,928	140,876
00.04 Supporting activities.....	1,123	2,597		1,000
00.05 Historic facilities.....			6,000	6,000
00.91 Total direct program.....	1,869,317	953,927	1,275,946	1,362,059
01.01 Reimbursable program.....	1,718,538	1,781,000	1,852,000	1,926,000
10.00 Total obligations.....	3,587,855	2,734,927	3,127,946	3,288,059
<b>Financing:</b>				
<b>Offsetting collections from:</b>				
11.00 Federal funds.....	-1,616,539	-1,602,900	-1,666,800	-1,733,400
13.00 Trust funds.....	-46,797	-142,480	-148,160	-154,080
14.00 Non-Federal sources.....	-22,468	-35,620	-37,040	-38,520
17.00 Recovery of prior year obligations.....	-32,734			
<b>Unobligated balance available, start of year:</b>				
21.40 For completion of prior year budget plans.....	-950,789	-522,141	-834,953	-971,707
21.40 Available to finance new budget plans.....		-36,400		
22.40 Unobligated balance transferred, net.....	-944			
23.40 Unobligated balance rescinded.....		36,400		
23.40 Reduction pursuant to P.L. 99-177 in unobligated balance.....	46,589			
<b>Unobligated balance available, end of year:</b>				
24.40 For completion of prior year budget plans.....	522,141	834,953	971,707	1,096,948
24.40 Available to finance subsequent year budget plans.....	36,400			
25.00 Unobligated balance lapsing.....	1,721			
39.00 Budget authority.....	1,524,436	1,266,739	1,412,700	1,487,300
<b>Budget authority:</b>				
<b>Current:</b>				
40.00 Appropriation.....	1,524,436	1,260,110	1,191,700	1,273,300
42.00 Transferred from other accounts.....		2,400		
43.00 Appropriation (adjusted).....	1,524,436	1,262,510	1,191,700	1,273,300
44.10 Supplemental for wage-board pay raises.....		2		
44.20 Supplemental for civilian pay raises.....		91		
44.40 Supplemental for retirement contributions (P.L. 99-335).....		4,136		
<b>Permanent:</b>				
60.00 Appropriation (permanent indefinite).....			221,000	214,000
<b>Relation of obligations to outlays:</b>				
71.00 Obligations incurred, net.....	1,902,051	953,927	1,275,946	1,362,059
72.40 Obligated balance, start of year.....	1,554,575	2,065,688	1,789,015	1,842,011
74.40 Obligated balance, end of year.....	-2,065,688	-1,789,015	-1,842,011	-1,925,045
77.00 Adjustments in expired accounts.....	2,234			
78.00 Adjustments in unexpired accounts.....	-32,734			
89.00 Outlays.....	1,360,438	1,230,600	1,222,950	1,279,025



## General and special funds—Continued

MILITARY CONSTRUCTION, ARMY—Continued  
[(INCLUDING RESCISSION)]—Continued

## Program and Financing (in thousands of dollars)—Continued

Identification code	21-2050-0-1-051	1986 actual	1987 est.	1988 est.	1989 est.
90.00	Outlays, excluding pay raise supplemental .....	1,360,438	1,226,371	1,222,950	1,279,025
91.10	Outlays from wage-board pay raise supplemental .....		2		
91.20	Outlays from civilian pay raise supplemental .....		91		
91.40	Outlays from retirement contribution supplemental .....		4,136		

## Budget Plan (in thousands of dollars)

(amount for construction actions programmed)

Direct:					
07.01	Major construction .....	1,342,831	1,109,110	1,257,980	1,332,390
07.02	Minor construction .....	17,731	20,000	15,600	16,200
07.03	Planning .....	127,474	137,629	133,120	131,710
07.04	Supporting activities .....				1,000
07.05	Historic facilities .....			6,000	6,000
07.91	Total direct .....	1,488,036	1,266,739	1,412,700	1,487,300
08.01	Reimbursable .....	1,712,470	1,781,000	1,852,000	1,926,000
08.93	Total budget plan .....	3,200,506	3,047,739	3,264,700	3,413,300

## SUMMARY OF BUDGET AUTHORITY AND OUTLAYS

	[In thousands of dollars]			
Enacted/requested:	1986 actual	1987 est.	1988 est.	1989 est.
Budget authority .....	1,524,436	1,266,739	1,412,700	1,487,300
Outlays .....	1,360,438	1,230,600	1,222,950	1,279,025
Supplemental—additional authorizing legislation required:				
Budget authority .....		250,000		
Outlays .....		12,500	64,550	93,575
Total:				
Budget authority .....	1,524,436	1,516,739	1,412,700	1,487,300
Outlays .....	1,360,438	1,243,100	1,287,500	1,372,600

## Object Classification (in thousands of dollars)

Identification code	21-2050-0-1-051	1986 actual	1987 est.	1988 est.	1989 est.
DEPARTMENT OF THE ARMY					
Direct obligations:					
Personnel compensation:					
11.1	Full-time permanent .....	67,194	52,262	51,018	57,937
11.3	Other than full-time permanent .....	12,436	9,647	9,453	10,735
11.5	Other personnel compensation .....	3,336	2,444	2,592	2,944
11.9	Total personnel compensation .....	82,966	64,353	63,063	71,616
12.1	Personnel benefits: Civilian .....	14,047	12,932	16,796	19,733
13.0	Benefits for former personnel .....		26	46	44
21.0	Travel and transportation of persons .....	6,000	4,542	4,369	4,744
22.0	Transportation of things .....	517	391	376	408
23.3	Communications, utilities, and miscellaneous charges .....	4,900	3,709	3,568	3,874
24.0	Printing and reproduction .....	1,500	1,136	1,093	1,187
Other services:					
25.0	Payments to foreign national indirect hire personnel .....	11,352	10,587	11,613	12,228
25.0	Other .....	460,000	348,220	334,988	363,730
26.0	Supplies and materials .....	2,234	1,691	1,627	1,767
31.0	Equipment .....	4,600	3,482	3,350	3,637
32.0	Lands and structures .....	1,280,080	500,261	835,057	878,091
99.0	Subtotal, direct obligations, Army .....	1,868,196	951,330	1,275,946	1,361,059
99.0	Reimbursable obligations, Army .....	1,718,538	1,781,000	1,852,000	1,926,000

ALLOCATION TO DEPARTMENT OF  
TRANSPORTATION

Personnel compensation:				
11.1	Full-time permanent .....	49	50	51
11.5	Other personnel compensation .....	6	7	7
11.9	Total personnel compensation .....	55	57	58

12.1	Personnel benefits: Civilian.....	6	7	7	
21.0	Travel and transportation of persons.....	7	7	7	
22.0	Transportation of things.....		3		
25.0	Other services: Other.....	35	40	39	
26.0	Supplies and materials.....	6	5	5	
31.0	Equipment.....	3	4	4	
32.0	Lands and structures.....	1,009	2,474	880	
99.0	Subtotal, obligations, allocation accounts.....	1,121	2,597	1,000	
99.9	Total obligations.....	3,587,855	2,734,927	3,127,946	3,288,059

## Personnel Summary

DEPARTMENT OF THE ARMY				
Total number of full-time permanent positions .....	8,345	7,695	8,518	10,221
Total compensable workyears:				
Full-time equivalent employment .....	10,668	8,743	8,696	9,940
Full-time equivalent of overtime and holiday hours .....	289	279	279	323

ALLOCATION TO DEPARTMENT OF  
TRANSPORTATION

Total number of full-time permanent positions .....	2	2	2	2
Total compensable workyears: Full-time equivalent employment .....	2	2	2	2

## MILITARY CONSTRUCTION, NAVY

For acquisition, construction, installation, and equipment of temporary or permanent public works, naval installations, facilities, and real property for the Navy as currently authorized by law, including personnel in the Naval Facilities Engineering Command and other personal services necessary for the purposes of this appropriation, **[\$1,376,715,000] \$1,844,072,000**, to remain available until September 30, [1991] 1992: *Provided*, That of this amount, not to exceed **[\$143,770,000] \$148,655,000** shall be available for study, planning, design, architect and engineer services, as authorized by law, unless the Secretary of Defense determines that additional obligations are necessary for such purposes and notifies the Committees on Appropriations of both Houses of Congress of his determination and the reasons therefor: *Provided further*, That of the funds available for obligation for "Military Construction, Navy" under Public Law 99-173, \$25,800,000 is hereby rescinded.]

Further, for the foregoing purposes, **\$1,826,226,000**, to become available for obligation on October 1, 1988 and to remain available for obligation until September 30, 1993: *Provided*, That of this amount, not to exceed **\$153,333,000** shall be available for study, planning, design, architect and engineer services, as authorized by law, unless the Secretary of Defense determines that additional obligations are necessary for such purposes and notifies the Committees on Appropriations of both Houses of Congress of his determination and the reasons therefor. (10 U.S.C. 2675, 2802-05, 2807, 2828, 2851-54, 2857; Military Construction Appropriations Act, 1987, as included in Public Laws 99-500 and 99-591, section 101(k); additional authorizing legislation to be proposed.)

## Program and Financing (in thousands of dollars)

Identification code	17-1205-0-1-051	1986 actual	1987 est.	1988 est.	1989 est.
Program by activities:					
Direct program:					
00.01	Major construction .....	1,323,548	1,197,739	1,531,481	1,598,937
00.02	Minor construction .....	13,774	13,075	15,626	19,380
00.03	Planning .....	163,356	144,128	146,270	153,240
00.04	Supporting activities .....	2,581	6,014	4,675	7,383
00.05	Historic facilities .....			6,700	7,040
00.91	Total direct program .....	1,503,259	1,360,956	1,704,752	1,785,980
01.01	Reimbursable program .....	253,293	355,800	355,800	355,800
10.00	Total obligations .....	1,756,552	1,716,756	2,060,552	2,141,780
Financing:					
Offsetting collections from:					
11.00	Federal funds .....	-206,333	-260,600	-260,600	-260,600
14.00	Non-Federal sources .....	-45,527	-95,200	-95,200	-95,200



## DEPARTMENT OF DEFENSE—MILITARY

MILITARY CONSTRUCTION—Continued  
Federal Funds—Continued

I-G43

17.00	Recovery of prior year obligations.....	—1,542			
	Unobligated balance available, start of year:				
21.40	For completion of prior year budget plans.....	—788,394	—842,412	—860,936	—1,000,256
21.40	Available to finance new budget plans.....		—25,800		
23.40	Unobligated balance rescinded.....		25,800		
23.40	Reduction pursuant to P.L. 99-177 in unobligated balance.....	38,631			
	Unobligated balance available, end of year:				
24.40	For completion of prior year budget plans.....	842,412	860,936	1,000,256	1,040,502
24.40	Available to finance subsequent year budget plans.....	25,800			
25.00	Unobligated balance lapsing.....	209			
39.00	<b>Budget authority.....</b>	<b>1,621,807</b>	<b>1,379,480</b>	<b>1,844,072</b>	<b>1,826,226</b>
	Budget authority:				
40.00	Appropriation.....	1,621,807	1,376,715	1,844,072	1,826,226
42.00	Transferred from other accounts.....		990		
43.00	<b>Appropriation (adjusted).....</b>	<b>1,621,807</b>	<b>1,377,705</b>	<b>1,844,072</b>	<b>1,826,226</b>
44.20	<b>Supplemental for civilian pay raises.....</b>		<b>39</b>		
44.40	<b>Supplemental for retirement contributions (P.L. 99-335).....</b>		<b>1,736</b>		
	Relation of obligations to outlays:				
71.00	Obligations incurred, net.....	1,504,692	1,360,956	1,704,752	1,785,980
72.40	Obligated balance, start of year.....	1,377,343	1,526,903	1,469,359	1,699,811
74.40	Obligated balance, end of year.....	—1,526,903	—1,469,359	—1,699,811	—1,864,091
77.00	Adjustments in expired accounts.....	—1,227			
78.00	Adjustments in unexpired accounts.....	—1,542			
89.00	<b>Outlays.....</b>	<b>1,352,363</b>	<b>1,418,500</b>	<b>1,474,300</b>	<b>1,621,700</b>
	Outlays:				
90.00	Outlays, excluding pay and retirement supplementals.....	1,352,363	1,416,725	1,474,300	1,621,700
91.20	Outlays from civilian pay raise supplemental.....		39		
91.40	Outlays from retirement contribution supplemental.....		1,736		

## Budget Plan (in thousands of dollars)

(amount for construction actions programmed)

	Direct:				
07.01	Major construction.....	1,448,835	1,215,310	1,658,117	1,637,759
07.02	Minor construction.....	13,028	15,000	16,500	16,300
07.03	Planning.....	131,843	143,770	148,655	153,333
07.04	Supporting activities.....	2,301	5,400	14,000	11,819
07.05	Historic facilities.....			6,800	7,015
07.91	Total direct.....	1,596,007	1,379,480	1,844,072	1,826,226
08.01	Reimbursable.....	244,604	355,800	355,800	355,800
08.93	Total budget plan.....	1,840,611	1,735,280	2,199,872	2,182,026

## Object Classification (in thousands of dollars)

Identification code 17-1205-0-1051

	1986 actual	1987 est.	1988 est.	1989 est.
DEPARTMENT OF THE NAVY				
Direct obligations:				
Personnel compensation:				
11.1 Full-time permanent.....	74,344	79,062	80,963	79,825
11.3 Other than full-time permanent.....	3,376	8,441	11,086	11,137
11.5 Other personnel compensation.....	3,126	2,555	2,666	2,727
11.8 Special personal services payments.....	8			
11.9 Total personnel compensation.....	80,854	90,058	94,715	93,689
12.1 Personnel benefits: Civilian.....	14,998	15,150	20,043	20,650
21.0 Travel and transportation of persons.....	4,293	4,300	4,400	4,500
22.0 Transportation of things.....	3,055	3,100	3,700	4,100
23.2 Rental payments to others.....	6,727	7,000	7,500	8,200
24.0 Printing and reproduction.....	3,055	3,200	3,400	3,700

Other services:				
25.0 Payments to foreign national indirect hire personnel.....	1,315	1,919	2,523	2,641
25.0 Contracts.....	33,902	30,600	37,800	41,500
26.0 Supplies and materials.....	2,576	2,700	2,800	3,200
31.0 Equipment.....	1,357	1,400	1,500	1,600
32.0 Lands and structures.....	1,348,546	1,195,515	1,521,696	1,594,817
99.0 Subtotal, direct obligations, Navy.....	1,500,678	1,354,942	1,700,077	1,778,597
99.0 Reimbursable obligations, Navy.....	253,293	355,800	355,800	355,800

## ALLOCATION TO DEPARTMENT OF TRANSPORTATION

Personnel compensation:				
11.1 Full-time permanent.....	22	22	22	22
11.3 Other than full-time permanent.....	11	11	11	11
11.5 Other personnel compensation.....	5	5	5	5
11.9 Total personnel compensation.....	38	38	38	38
12.1 Personnel benefits: Civilian.....	4	4	4	4
21.0 Travel and transportation of persons.....	23	23	23	23
22.0 Transportation of things.....	12	12	12	12
25.0 Other services: Other.....	125	125	125	125
26.0 Supplies and materials.....	4	4	4	4
32.0 Lands and structures.....	2,375	5,808	4,469	7,177
99.0 Subtotal, obligations, allocation accounts.....	2,581	6,014	4,675	7,383
99.9 Total obligations.....	1,756,552	1,716,756	2,060,552	2,141,780

## Personnel Summary

## DEPARTMENT OF THE NAVY

Total number of full-time permanent positions.....	2,979	3,194	3,251	3,269
Total compensable workyears:				
Full-time equivalent employment.....	3,445	3,565	3,755	3,807
Full-time equivalent of overtime and holiday hours.....	100	56	62	63

## ALLOCATION TO DEPARTMENT OF TRANSPORTATION

Total number of full-time permanent positions.....	1	1	1	1
Total compensable workyears: Full-time equivalent employment.....	1	1	1	1

## MILITARY CONSTRUCTION, AIR FORCE\*

\* See Part II for additional information.

## [(INCLUDING RESCISSION)]

For acquisition, construction, installation, and equipment of temporary or permanent public works, military installations, facilities, and real property for the Air Force as currently authorized by law, **[\$1,242,530,000] \$1,500,900,000**, to remain available until September 30, [1991] 1992: *Provided*, That of this amount, not to exceed **[\$117,260,000] \$124,536,000**, shall be available for study, planning, design, architect and engineer services, as authorized by law, unless the Secretary of Defense determines that additional obligations are necessary for such purposes and notifies the Committees on Appropriations of both Houses of Congress of his determination and the reasons therefor: *Provided further*, That of the funds available for obligation for "Military Construction, Air Force" under Public Law 99-173, \$24,700,000 is hereby rescinded].

Further, for the foregoing purposes, **\$1,738,900,000**, to become available for obligation on October 1, 1988 and to remain available for obligation until September 30, 1993: *Provided*, That of this amount, not to exceed **\$141,733,000** shall be available for study, planning, design, architect and engineer services, as authorized by law, unless the Secretary of Defense determines that additional obligations are necessary for such purposes and notifies the Committees on Appropriations of both Houses of Congress of his determination and the reasons therefor: (10 U.S.C. 2675, 2802-05, 2807, 2828, 2852-54, 2857; Military Construction Appropriations Act, 1987, as included in Public Laws 99-500 and 99-591, section 101(k); additional authorizing legislation to be proposed.)



## General and special funds—Continued

MILITARY CONSTRUCTION, AIR FORCE—Continued  
【(INCLUDING RESCISSION)】—Continued

## Program and Financing (in thousands of dollars)

Identification code 57-3300-0-1-051	1986 actual	1987 est.	1988 est.	1989 est.
<b>Program by activities:</b>				
<b>Direct program:</b>				
00.01 Major construction.....	1,476,410	1,320,610	1,370,625	1,519,331
00.02 Minor construction.....	17,946	8,551	7,472	12,000
00.03 Planning.....	148,342	99,000	106,967	115,000
00.04 Supporting activities.....	18,156	34,404	23,397	2,700
00.05 Historic facilities.....			500	500
00.91 Total direct program.....	1,660,854	1,462,565	1,508,961	1,649,531
01.01 Reimbursable program.....	5,834	9,000	7,000	5,000
10.00 Total obligations.....	1,666,688	1,471,565	1,515,961	1,654,531
<b>Financing:</b>				
11.00 Offsetting collections from: Fed- eral funds.....	-5,484	-9,000	-7,000	-5,000
17.00 Recovery of prior year obliga- tions.....	-4,083			
Unobligated balance available, start of year:				
21.40 For completion of prior year budget plans.....	-1,166,383	-989,138	-769,103	-761,042
21.40 Available to finance new budget plans.....		-24,700		
23.40 Unobligated balance rescinded.....		24,700		
23.40 Reduction pursuant to P.L. 99- 177 in unobligated balance.....	57,153			
Unobligated balance available, end of year:				
24.40 For completion of prior year budget plans.....	989,138	769,103	761,042	850,411
24.40 Available to finance subse- quent year budget plans.....	24,700			
25.00 Unobligated balance lapsing.....	19,997			
40.00 Budget authority (ap- propriation).....	1,581,727	1,242,530	1,500,900	1,738,900
<b>Relation of obligations to outlays:</b>				
71.00 Obligations incurred, net.....	1,661,204	1,462,565	1,508,961	1,649,531
72.40 Obligated balance, start of year.....	1,616,285	1,753,744	1,729,354	1,775,150
74.40 Obligated balance, end of year.....	-1,753,744	-1,729,354	-1,775,150	-1,947,846
77.00 Adjustments in expired accounts.....	5,301			
78.00 Adjustments in unexpired ac- counts.....	-4,083			
90.00 Outlays.....	1,524,964	1,486,955	1,463,165	1,476,835

## Budget Plan (in thousands of dollars)

(amount for construction actions programmed)

<b>Direct:</b>				
07.01 Major construction.....	1,375,932	1,076,570	1,353,464	1,580,167
07.02 Minor construction.....	14,285	16,000	16,000	16,500
07.03 Planning.....	127,596	117,260	124,536	141,733
07.04 Supporting activities.....	39,214	32,700	4,100	
07.05 Historic facilities.....			2,800	500
07.91 Total direct.....	1,557,027	1,242,530	1,500,900	1,738,900
08.01 Reimbursable.....	1,826	9,000	7,000	5,000
08.93 Total budget plan.....	1,558,853	1,251,530	1,507,900	1,743,900

## SUMMARY OF BUDGET AUTHORITY AND OUTLAYS

(in thousands of dollars)

Enacted/requested:	1986 actual	1987 est.	1988 est.	1989 est.
Budget authority.....	1,581,727	1,242,530	1,500,900	1,738,900
Outlays.....	1,524,964	1,486,955	1,463,165	1,476,835
<b>Rescission proposal:</b>				
Budget authority.....		-2,750		
Outlays.....		-355	-1,265	-535
<b>Total</b>				
Budget authority.....	1,581,727	1,239,780	1,500,900	1,738,900
Outlays.....	1,524,964	1,486,600	1,461,900	1,476,300

## Object Classification (in thousands of dollars)

Identification code 57-3300-0-1-051	1986 actual	1987 est.	1988 est.	1989 est.
<b>DEPARTMENT OF THE AIR FORCE</b>				
<b>Direct obligations:</b>				
25.0 Other services: Other.....	9,500	9,000	7,000	5,000
32.0 Lands and structures.....	155,694	95,253	116,147	85,885
99.0 Subtotal, direct obligations, Air Force.....	165,194	104,253	123,147	90,885
99.0 Reimbursable obligations, Air Force.....	5,834	9,000	7,000	5,000
<b>ALLOCATION ACCOUNTS</b>				
25.0 Other services: Other.....	126,550	122,415	117,535	127,488
32.0 Lands and structures.....	1,369,110	1,235,897	1,268,279	1,431,158
99.0 Subtotal, obligations, allocation ac- counts.....	1,495,660	1,358,312	1,385,814	1,558,646
99.9 Total obligations.....	1,666,688	1,471,565	1,515,961	1,654,531
<b>Obligations are distributed as follows:</b>				
<b>Defense—Military:</b>				
Army.....	1,192,660	1,070,431	1,084,728	1,290,430
Navy.....	284,978	243,477	276,543	265,516
Air Force.....	171,028	123,253	130,147	95,885
Department of Transportation.....	18,022	34,404	24,543	2,700

## MILITARY CONSTRUCTION, DEFENSE AGENCIES

For acquisition, construction, installation, and equipment of tempo-  
rary or permanent public works, installations, facilities, and real  
property for activities and agencies of the Department of Defense  
(other than the military departments), as currently authorized by law  
[**\$534,170,000**] **\$859,200,000**, to remain available until September 30,  
[1991] 1992: *Provided*, [That such amounts of this appropriation as  
may be determined by the Secretary of Defense may be transferred to  
such appropriations of the Department of Defense available for mili-  
tary construction as he may designate, to be merged with and to be  
available for the same purposes, and for the same time period, as the  
appropriation or fund to which transferred: *Provided further*,] That  
of the amount appropriated, not to exceed [**\$83,000,000**] **\$62,800,000**  
shall be available for study, planning, design, architect and engineer  
services, as authorized by law, unless the Secretary of Defense deter-  
mines that additional obligations are necessary for such purposes and  
notifies the Committees on Appropriations of both Houses of Congress  
of his determination and the reasons therefor.

*Further, for the foregoing purposes, \$897,900,000, to become avail-  
able for obligation on October 1, 1988, and to remain available for  
obligation until September 30, 1993: Provided, That of this amount,  
not to exceed \$69,700,000, shall be available for study, planning,  
design, architect and engineer services, as authorized by law, unless  
the Secretary of Defense determines that additional obligations are  
necessary for such purposes and notifies the Committees on Appropria-  
tions of both Houses of Congress of his determination and the reasons  
therefor.*

*During their period of availability, such amounts of the foregoing  
appropriations as may be determined by the Secretary of Defense may  
be transferred to such appropriations of the Department of Defense  
available for military construction as he may designate, to be merged  
with and to be available for the same purposes, and for the same time  
period, as the appropriation or fund to which transferred. (10 U.S.C.  
2802-05, 2807, 2852-54, 2857; Military Construction Appropriations  
Act, 1987, as included in Public Laws 99-500 and 99-591, section  
101(k); additional authorizing legislation to be proposed.)*

## Program and Financing (in thousands of dollars)

Identification code 97-0500-0-1-051	1986 actual	1987 est.	1988 est.	1989 est.
<b>Program by activities:</b>				
<b>Direct program:</b>				
00.01 Major construction.....	210,442	342,924	585,911	765,367
00.02 Minor construction.....	6,794	4,145	6,568	4,350
00.03 Planning.....	32,070	54,087	62,788	33,463
00.05 Historic facilities.....			1,500	1,200
00.91 Total direct program (object class 32.0).....	249,306	401,156	656,767	804,380



01.01	Reimbursable program	4,000			
10.00	Total obligations	253,306	401,156	656,767	804,380
<b>Financing:</b>					
11.00	Offsetting collections from: Federal funds	-4,000			
17.00	Recovery of prior year obligations	-14,072			
21.40	Unobligated balance available, start of year: For completion of prior year budget plans	-277,041	-193,648	-326,662	-529,095
22.40	Unobligated balance transferred, net	944			
23.40	Reduction pursuant to P.L. 99-177 in unobligated balance	13,575			
24.40	Unobligated balance available, end of year: For completion of prior year budget plans	193,648	326,662	529,095	622,615
25.00	Unobligated balance lapsing	6,127			
40.00	Budget authority (appropriation)	172,488	534,170	859,200	897,900
<b>Relation of obligations to outlays:</b>					
71.00	Obligations incurred, net	249,306	401,156	656,767	804,380
72.40	Obligated balance, start of year	418,384	391,783	533,739	847,506
74.40	Obligated balance, end of year	-391,783	-533,739	-847,506	-1,148,086
77.00	Adjustments in expired accounts	1,917			
78.00	Adjustments in unexpired accounts	-14,072			
90.00	Outlays	263,751	259,200	343,000	503,800

**Budget Plan (in thousands of dollars)**  
(amount for construction actions programmed)

<b>Direct:</b>					
07.01	Major construction	143,772	447,170	784,900	817,000
07.02	Minor construction	2,568	4,000	10,000	10,000
07.03	Planning	26,148	83,000	62,800	69,700
07.05	Historic facilities			1,500	1,200
07.91	Total direct	172,488	534,170	859,200	897,900
08.01	Reimbursable	4,000			
08.93	Total budget plan	176,488	534,170	859,200	897,900

**NORTH ATLANTIC TREATY ORGANIZATION INFRASTRUCTURE**

For the United States share of the cost of North Atlantic Treaty Organization Infrastructure programs for the acquisition of personal property, for the acquisition and construction of military facilities and installations (including international military headquarters) and for related expenses for the collective defense of the North Atlantic Treaty Area as authorized in military construction Acts and section 2806 of title 10, United States Code, **[\$232,000,000]** **\$396,000,000**, to remain available until expended.

Further, for the foregoing purposes, **\$412,100,000**, to become available for obligation on October 1, 1988 and to remain available for obligation until expended. (Military Construction Appropriations Act, 1987, as included in Public Laws 99-500 and 99-591, section 101(k); additional authorizing legislation to be proposed.)

**Program and Financing (in thousands of dollars)**

Identification code	97-0804-0-1-051	1986 actual	1987 est.	1988 est.	1989 est.
<b>Program by activities:</b>					
10.00	Total obligations (object class 32.0)	335,426	310,446	299,182	388,000
<b>Financing:</b>					
14.00	Offsetting collections from: Non-Federal sources	-36,461	-40,000	-40,000	-40,000
21.40	Unobligated balance available, start of year: For completion of prior year budget plans	-410,182	-100,628	-62,182	-199,000
23.40	Reduction pursuant to P.L. 99-177 in unobligated balance	20,099			

24.40	Unobligated balance available, end of year: For completion of prior year budget plans	100,628	62,182	199,000	263,100
40.00	Budget authority (appropriation)	9,510	232,000	396,000	412,100
<b>Relation of obligations to outlays:</b>					
71.00	Obligations incurred, net	298,965	270,446	259,182	348,000
72.40	Obligated balance, start of year	371,558	490,960	601,406	700,588
74.40	Obligated balance, end of year	-490,960	-601,406	-700,588	-888,588
90.00	Outlays	179,564	160,000	160,000	160,000

**Budget Plan (in thousands of dollars)**  
(amount for construction actions programmed)

07.01	Total budget plan	45,971	272,000	436,000	452,100
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**MILITARY CONSTRUCTION, ARMY NATIONAL GUARD**

For construction, acquisition, expansion, rehabilitation, and conversion of facilities for the training and administration of the Army National Guard, and contributions therefor, as authorized by chapter 133 of title 10, United States Code, and military construction authorization Acts, **[\$140,879,000]** **\$170,400,000**, to remain available until September 30, **[1991]** **1992**.

Further, for the foregoing purposes, **\$161,100,000**, to become available for obligation on October 1, 1988 and to remain available for obligation until September 30, 1993. (Military Construction Appropriations Act, 1987, as included in Public Laws 99-500 and 99-591, section 101(k); additional authorizing legislation to be proposed.)

**Program and Financing (in thousands of dollars)**

Identification code	21-2085-0-1-051	1986 actual	1987 est.	1988 est.	1989 est.
<b>Program by activities:</b>					
00.01	Major construction	74,070	111,775	144,863	137,613
00.02	Minor construction	13,905	5,013	5,400	6,623
00.03	Planning	9,349	20,500	13,237	15,486
10.00	Total obligations	97,324	137,288	163,500	159,722
<b>Financing:</b>					
17.00	Recovery of prior year obligations	-1,171			
21.40	Unobligated balance available, start of year: For completion of prior year budget plans	-11,705	-12,138	-15,729	-22,629
23.40	Reduction pursuant to P.L. 99-177 in unobligated balance	574			
24.40	Unobligated balance available, end of year: For completion of prior year budget plans	12,138	15,729	22,629	24,007
25.00	Unobligated balance lapsing	37			
40.00	Budget authority (appropriation)	97,197	140,879	170,400	161,100
<b>Relation of obligations to outlays:</b>					
71.00	Obligations incurred, net	97,324	137,288	163,500	159,722
72.40	Obligated balance, start of year	114,314	111,491	155,279	195,179
74.40	Obligated balance, end of year	-111,491	-155,279	-195,179	-202,101
77.00	Adjustments in expired accounts	-218			
78.00	Adjustments in unexpired accounts	-1,171			
90.00	Outlays	98,757	93,500	123,600	152,800

**Budget Plan (in thousands of dollars)**  
(amount for construction actions programmed)

07.01	Major construction	71,097	117,232	151,139	139,233
07.02	Minor construction	14,308	4,647	5,400	6,200
07.03	Planning	11,792	19,000	13,861	15,667
08.93	Total budget plan	97,197	140,879	170,400	161,100

**Object Classification (in thousands of dollars)**

Identification code	21-2085-0-1-051	1986 actual	1987 est.	1988 est.	1989 est.
25.0	Other services: Other	40,315	8,715	12,122	14,422
26.0	Supplies and materials		73	80	86
31.0	Equipment		27	30	35



## General and special funds—Continued

## MILITARY CONSTRUCTION, ARMY NATIONAL GUARD—Continued

## Object Classification (in thousands of dollars)—Continued

Identification code	21-2085-0-1-051	1986 actual	1987 est.	1988 est.	1989 est.
32.0	Lands and structures.....	57,009	128,473	151,268	145,179
99.9	Total obligations.....	97,324	137,288	163,500	159,722

## MILITARY CONSTRUCTION, AIR NATIONAL GUARD

For construction, acquisition, expansion, rehabilitation, and conversion of facilities for the training and administration of the Air National Guard, and contributions therefor, as authorized by chapter 133 of title 10, United States Code, and military construction authorization Acts, **[\$148,925,000]** **\$160,800,000**, to remain available until September 30, **[1991]** 1992. [In addition, notwithstanding any other provision of law, \$5,000,000 shall be available only for transfer in fiscal year 1988 to the Federal Highway Administration of the Department of Transportation as the first increment of a four year program for construction of a defense access road under title 23, United States Code, section 210 at Greater Pittsburgh ANG base; and, notwithstanding any other provision of law, the Secretary of the Air Force may assure the Secretary of Transportation that funds will be provided for the remaining three annual increments of \$5,000,000 each.]

Further, for the foregoing purposes, **\$137,000,000** to become available for obligation on October 1, 1988 and to remain available for obligation until September 30, 1993. (Military Construction Appropriations Act, 1987, as included in Public Laws 99-500 and 99-591, section 101(k); additional authorizing legislation to be proposed.)

## Program and Financing (in thousands of dollars)

Identification code	57-3830-0-1-051	1986 actual	1987 est.	1988 est.	1989 est.
<b>Program by activities:</b>					
00.01	Major construction.....	149,085	151,341	142,795	121,610
00.02	Minor construction.....	4,694	2,200	2,470	2,136
00.03	Planning.....	12,248	5,920	15,054	15,735
10.00	Total obligations.....	166,027	159,461	160,319	139,481
<b>Financing:</b>					
21.40	Unobligated balance available, start of year: For completion of prior year budget plans.....	-102,582	-46,633	-36,097	-36,578
23.40	Reduction pursuant to P.L. 99-177 in unobligated balance.....	5,027			
24.40	Unobligated balance available, end of year: For completion of prior year budget plans.....	46,633	36,097	36,578	34,097
25.00	Unobligated balance lapsing.....	204			
40.00	Budget authority (appropriation).....	115,309	148,925	160,800	137,000
<b>Relation of obligations to outlays:</b>					
71.00	Obligations incurred, net.....	166,027	159,461	160,319	139,481
72.40	Obligated balance, start of year.....	117,849	152,408	189,669	206,488
74.40	Obligated balance, end of year.....	-152,408	-189,669	-206,488	-200,769
77.00	Adjustments in expired accounts.....	-50			
90.00	Outlays.....	131,418	122,200	143,500	145,200

## Budget Plan (in thousands of dollars)

(amounts for construction actions programmed)

07.01	Major construction.....	101,634	131,375	144,815	123,040
07.02	Minor construction.....	4,495	2,130	2,202	2,300
07.03	Planning.....	9,180	15,420	13,783	11,660
08.93	Total budget plan.....	115,309	148,925	160,800	137,000

## Object Classification (in thousands of dollars)

Identification code	57-3830-0-1-051	1986 actual	1987 est.	1988 est.	1989 est.
<b>DEPARTMENT OF THE AIR FORCE</b>					
25.0	Other services: Contracts.....	9,664	9,320	14,054	14,335
32.0	Lands and structures.....	144,836	139,141	130,265	101,746
99.0	Subtotal, direct obligations, Air Force.....	154,500	148,461	144,319	116,081
<b>ALLOCATION ACCOUNTS</b>					
25.0	Other services: Contracts.....	2,584	1,000	1,000	1,400
32.0	Lands and structures.....	8,943	10,000	15,000	22,000
99.0	Subtotal, obligations, allocation accounts.....	11,527	11,000	16,000	23,400
99.9	Total obligations.....	166,027	159,461	160,319	139,481
<b>Obligations are distributed as follows:</b>					
Army.....		30	5,000	1,500	400
Navy.....		11,497	6,000	14,500	23,000
Air Force.....		154,500	148,461	144,319	116,081

## MILITARY CONSTRUCTION, ARMY RESERVE

For construction, acquisition, expansion, rehabilitation, and conversion of facilities for the training and administration of the Army Reserve as authorized by chapter 133 of title 10, United States Code, and military construction authorization Acts, **[\$86,700,000]** **\$95,100,000**, to remain available until September 30, **[1991]** 1992.

Further, for the foregoing purposes, **\$108,000,000** to become available for obligation on October 1, 1988 and to remain available for obligation until September 30, 1993. (Military Construction Appropriations Act, 1987, as included in Public Laws 99-500 and 99-591, section 101(k); additional authorizing legislation to be proposed.)

## Program and Financing (in thousands of dollars)

Identification code	21-2086-0-1-051	1986 actual	1987 est.	1988 est.	1989 est.
<b>Program by activities:</b>					
00.01	Major construction.....	51,801	69,202	80,902	91,661
00.02	Minor construction.....	3,547	1,341	1,910	1,780
00.03	Planning.....	9,557	11,599	10,033	11,868
10.00	Total obligations.....	64,905	82,142	92,845	105,309
<b>Financing:</b>					
21.40	Unobligated balance available, start of year: For completion of prior year budget plans.....	-21,548	-12,634	-17,246	-19,501
23.40	Reduction pursuant to P.L. 99-177 in unobligated balance.....	1,056			
24.40	Unobligated balance available, end of year: For completion of prior year budget plans.....	12,634	17,246	19,501	22,192
25.00	Unobligated balance lapsing.....	1,293			
39.00	Budget authority.....	58,340	86,754	95,100	108,000
<b>Budget authority:</b>					
40.00	Appropriation.....	58,340	86,700	95,100	108,000
44.20	Supplemental for civilian pay raises.....		1		
44.40	Supplemental for retirement contributions (P.L. 99-335).....		53		
<b>Relation of obligations to outlays:</b>					
71.00	Obligations incurred, net.....	64,905	82,142	92,845	105,309
72.40	Obligated balance, start of year.....	50,945	56,139	73,681	85,426
74.40	Obligated balance, end of year.....	-56,139	-73,681	-85,426	-100,235
77.00	Adjustments in expired accounts.....	-103			
89.00	Outlays.....	59,608	64,600	81,100	90,500
<b>Outlays:</b>					
90.00	Outlays, excluding pay and retirement supplements.....	59,608	64,546	81,100	90,500
91.20	Outlays from civilian pay raise supplemental.....		1		
91.40	Outlays from retirement contribution supplemental.....		53		



**Budget Plan** (in thousands of dollars)  
(amount for construction actions programmed)

07.01	Major construction	45,897	74,300	84,200	95,500
07.02	Minor construction	3,253	1,100	1,600	1,700
07.03	Planning	9,190	11,354	9,300	10,800
08.93	Total budget plan	58,340	86,754	95,100	108,000

**Object Classification** (in thousands of dollars)

Identification code	21-2086-0-1-051	1986 actual	1987 est.	1988 est.	1989 est.
11.1	Personnel compensation: Full-time permanent	3,852	3,469	3,503	3,481
12.1	Personnel benefits: Civilian	458	498	550	571
21.0	Travel and transportation of persons	176	225	260	320
22.0	Transportation of things	6	2	3	3
23.1	Rental payments to GSA	132	66	70	85
24.0	Printing and reproduction	41	85	98	120
25.0	Other services: Other	13,661	12,480	15,034	16,929
26.0	Supplies and materials	77	108	120	140
31.0	Equipment	6	3	5	5
32.0	Lands and structures	46,496	65,206	73,202	83,655
99.9	Total obligations	64,905	82,142	92,845	105,309

**Personnel Summary**

Total number of full-time permanent positions	99	121	121	121
Total compensable workyears:				
Full-time equivalent employment	141	119	119	119
Full-time equivalent of overtime and holiday hours	5	2	2	2

**MILITARY CONSTRUCTION, NAVAL RESERVE**

For construction, acquisition, expansion, rehabilitation, and conversion of facilities for the training and administration of the reserve components of the Navy and Marine Corps as authorized by chapter 133 of title 10, United States Code, and military construction authorization Acts; [\$44,500,000] \$73,737,000, to remain available until September 30, [1991] 1992.

Further, for the foregoing purposes, \$56,923,000, to become available for obligation on October 1, 1988 and to remain available for obligation until September 30, 1993. (Military Construction Appropriations Act, 1987, as included in Public Laws 99-500 and 99-591, section 101(k); additional authorizing legislation to be proposed.)

**Program and Financing** (in thousands of dollars)

Identification code	17-1235-0-1-051	1986 actual	1987 est.	1988 est.	1989 est.
<b>Program by activities:</b>					
00.01	Major construction	27,494	38,984	58,165	49,174
00.02	Minor construction	1,071	1,995	865	1,230
00.03	Planning	4,200	6,182	4,762	5,431
10.00	Total obligations	32,765	47,161	63,792	55,835
<b>Financing:</b>					
17.00	Recovery of prior year obligations	— 4			
21.40	Unobligated balance available, start of year: For completion of prior year budget plans	— 18,883	— 24,900	— 22,239	— 32,184
23.40	Reduction pursuant to P.L. 99-177 in unobligated balance	925			
24.40	Unobligated balance available, end of year: For completion of prior year budget plans	24,900	22,239	32,184	33,272
25.00	Unobligated balance lapsing	48			
40.00	Budget authority (appropriation)	39,752	44,500	73,737	56,923
<b>Relation of obligations to outlays:</b>					
71.00	Obligations incurred, net	32,765	47,161	63,792	55,835
72.40	Obligated balance, start of year	48,347	38,525	42,486	57,778
74.40	Obligated balance, end of year	— 38,525	— 42,486	— 57,778	— 54,513
77.00	Adjustments in expired accounts	5			
78.00	Adjustments in unexpired accounts	— 4			
90.00	Outlays	42,588	43,200	48,500	59,100

**Budget Plan** (in thousands of dollars)  
(amounts for construction actions programmed)

07.01	Major construction	34,240	37,700	67,467	49,800
07.02	Minor construction	1,479	1,500	1,500	1,660
07.03	Planning	4,033	5,300	4,770	5,463
08.93	Total budget plan	39,752	44,500	73,737	56,923

**Object Classification** (in thousands of dollars)

Identification code	17-1235-0-1-051	1986 actual	1987 est.	1988 est.	1989 est.
<b>Other services:</b>					
25.0	Contracts	1,443	1,886	2,552	2,233
25.0	Other	361	450	702	614
32.0	Lands and structures	30,961	44,825	60,538	52,988
99.9	Total obligations	32,765	47,161	63,792	55,835

**MILITARY CONSTRUCTION, AIR FORCE RESERVE**

For construction, acquisition, expansion, rehabilitation, and conversion of facilities for the training and administration of the Air Force Reserve as authorized by chapter 133 of title 10, United States Code, and military construction authorization acts, [\$58,900,000] \$79,300,000, to remain available until September 30, [1991] 1992.

Further, for the foregoing purposes, \$59,300,000 to become available for obligation on October 1, 1988 and to remain available for obligation until September 30, 1993. (Military Construction Appropriations Act, 1987, as included in Public Laws 99-500 and 99-591, section 101(k); additional authorizing legislation to be proposed.)

**Program and Financing** (in thousands of dollars)

Identification code	57-3730-0-1-051	1986 actual	1987 est.	1988 est.	1989 est.
<b>Program by activities:</b>					
00.01	Major construction	63,982	50,035	66,704	53,327
00.02	Minor construction	2,616	3,393	2,687	2,951
00.03	Planning	5,171	5,108	4,785	6,200
10.00	Total obligations	71,769	58,536	74,176	62,478
<b>Financing:</b>					
21.40	Unobligated balance available, start of year: For completion of prior year budget plans	— 33,721	— 20,140	— 20,504	— 25,628
23.40	Reduction pursuant to P.L. 99-177 in unobligated balance	1,652			
24.40	Unobligated balance available, end of year: For completion of prior year budget plans	20,140	20,504	25,628	22,450
25.00	Unobligated balance lapsing	103			
40.00	Budget authority (appropriation)	59,942	58,900	79,300	59,300
<b>Relation of obligations to outlays:</b>					
71.00	Obligations incurred, net	71,769	58,536	74,176	62,478
72.40	Obligated balance, start of year	49,589	67,654	65,190	77,066
74.40	Obligated balance, end of year	— 67,654	— 65,190	— 77,066	— 70,044
77.00	Adjustments in expired accounts	— 3			
90.00	Outlays	53,700	61,000	62,300	69,500

**Budget Plan** (in thousands of dollars)  
(amount for construction actions programmed)

07.01	Major construction	53,260	49,760	70,482	51,865
07.02	Minor construction	1,909	2,580	2,688	2,852
07.03	Planning	4,773	6,560	6,130	4,583
08.93	Total budget plan	59,942	58,900	79,300	59,300

**Object Classification** (in thousands of dollars)

Identification code	57-3730-0-1-051	1986 actual	1987 est.	1988 est.	1989 est.
<b>DEPARTMENT OF THE AIR FORCE</b>					
25.0	Other services: Contracts	621	204	249	377



## General and special funds—Continued

## MILITARY CONSTRUCTION, AIR FORCE RESERVE—Continued

## Object Classification (in thousands of dollars)—Continued

Identification code	57-3730-0-1-051	1986 actual	1987 est.	1988 est.	1989 est.
32.0	Lands and structures.....	7,553	5,884	7,688	6,089
99.0	Subtotal, direct obligations, Air Force	8,174	6,088	7,937	6,466
ALLOCATION ACCOUNTS					
25.0	Other services: Contracts.....	4,551	4,904	4,725	5,906
32.0	Lands and structures.....	59,044	47,544	61,514	50,106
99.0	Subtotal, obligations, allocation accounts.....	63,595	52,448	66,239	56,012
99.9	Total obligations.....	71,769	58,536	74,176	62,478
Obligations are distributed as follows: Defense—					
Military:					
	Army.....	57,996	48,771	64,753	52,945
	Navy.....	5,599	3,677	1,486	3,067
	Air Force.....	8,174	6,088	7,937	6,466

## FAMILY HOUSING, DEFENSE

These appropriations finance all costs associated with construction, improvements, operations, maintenance and leasing of all military family housing. The family housing indebtedness information schedules show the status of indebtedness assumed by each military department to acquire family housing for assignment as public quarters. The program contains initiatives to reduce operating costs and conserve energy by upgrading or replacing facilities which can be made more efficient through relatively modest investments in improvements.

The budget plan for each appropriation is shown as a separate table immediately following the program and financing schedules for those appropriations that are available for obligation for more than one year. In 1988 and 1989, it presents, by budget activity, the value of the program requested for the life of these multiple-year appropriations, with comparable amounts in 1986 and 1987.

## Federal Funds

## General and special funds:

## FAMILY HOUSING, ARMY

For expenses of family housing for the Army for construction, including acquisition, replacement, addition, expansion, extension and alteration and for operation and maintenance, including debt payment, leasing, minor construction, principal and interest charges, and insurance premiums, as authorized by law, as follows: for construction, **[\$379,680,000] \$457,476,000**; for operation and maintenance, **[\$1,209,914,000] \$1,278,277,000**; for debt payment, **[\$8,063,000] \$2,906,000**; in all **[\$1,597,657,000] \$1,738,659,000**. *Provided*, That the amount provided for construction shall remain available until September 30, **[1991] 1992**.

Further, for the foregoing purposes, as follows: for Construction **\$455,178,000**; for Operation and maintenance; **\$1,419,011,000**; for debt payment **\$451,000**; in all **\$1,874,640,000**, to become available for obligation on October 1, 1988: *Provided*, That the amount provided for construction shall remain available until September 30, 1993. (10 U.S.C. 2824, 2827-29, 2831, 2851-54, 2857; Military Construction Appropriations Act, 1987, as included in Public Laws 99-500 and 99-591, section 101(k); additional authorizing legislation to be proposed.)

## Program and Financing (in thousands of dollars)

Identification code	21-0702-0-1-051	1986 actual	1987 est.	1988 est.	1989 est.
Program by activities:					
Direct program:					
Construction:					
01.01	Construction of new housing.....	125,218	207,680	237,657	238,200
01.02	Construction improvements.....	103,159	98,050	155,300	175,410
01.03	Planning.....	10,898	23,150	21,900	21,900
01.91	Total construction.....	239,275	328,880	414,857	435,510
Operation, maintenance, and interest payment:					
Operation:					
02.01	Operating expenses.....	466,417	482,959	558,085	601,856
02.02	Leasing.....	111,169	158,400	180,130	198,569
02.03	Maintenance of real property.....	526,459	569,000	540,062	618,586
02.04	Interest payments.....	876	347	120	50
02.05	Mortgage insurance premiums.....	65	70	40	30
02.91	Total operation, maintenance, and interest payment.....	1,104,986	1,210,776	1,278,437	1,419,091
03.01	Reimbursable program.....	11,233	14,200	14,800	15,200
10.00	Total obligations.....	1,355,494	1,553,856	1,708,094	1,869,801
Financing:					
Offsetting collections from:					
11.00	Federal funds.....	-2,144	-4,000	-4,400	-4,600
13.00	Trust funds.....	-2	-20	-20	-20
14.00	Non-Federal sources.....	-9,087	-10,180	-10,380	-10,580
21.40	Unobligated balance available, start of year: For completion of prior year budget plans.....	-112,218	-116,054	-166,854	-209,473
23.40	Reduction pursuant to P.L. 99-177 in unobligated balance.....	5,499			
24.40	Unobligated balance available, end of year: For completion of prior year budget plans.....	116,054	166,854	209,473	229,141
25.00	Unobligated balance lapsing.....	6,431			
39.00	Budget authority.....	1,360,026	1,590,456	1,735,913	1,874,269
Budget authority:					
40.00	Appropriation.....	1,375,089	1,597,657	1,738,659	1,874,640
40.47	Portion applied to debt reduction.....	-15,063	-7,646	-2,746	-371
43.00	Appropriation (adjusted).....	1,360,026	1,590,011	1,735,913	1,874,269
44.10	Supplemental for wage-board pay raises.....		4		
44.20	Supplemental for civilian pay raises.....		6		
44.40	Supplemental for retirement contributions (P.L. 99-335).....		435		
Relation of obligations to outlays:					
71.00	Obligations incurred, net.....	1,344,261	1,539,656	1,693,294	1,854,601
72.40	Obligated balance, start of year..	779,158	754,197	977,353	1,199,647
74.40	Obligated balance, end of year....	-754,197	-977,353	-1,199,647	-1,372,848
77.00	Adjustments in expired accounts.....	-23,988			
89.00	Outlays.....	1,345,233	1,316,500	1,471,000	1,681,400
Outlays:					
90.00	Outlays, excluding pay and retirement supplementals.....	1,345,233	1,316,055	1,471,000	1,681,400
91.10	Outlays from wage-board pay raise supplemental.....		4		
91.20	Outlays from civilian pay raise supplemental.....		6		
91.40	Outlays from retirement contribution supplemental.....		435		
Budget Plan (in thousands of dollars)					
Direct:					
Construction:					
06.01	Construction of new housing.....	137,882	222,680	290,690	282,210
06.02	Construction improvements.....	97,002	135,000	144,886	152,968



06.03	Planning.....	14,265	22,000	21,900	20,000
06.91	Total construction.....	249,149	379,680	457,476	455,178
	Operation, maintenance, and interest payment:				
	Operation:				
07.01	Operating expenses.....	466,417	482,959	558,085	601,856
07.02	Leasing.....	111,169	158,400	180,130	198,569
07.03	Maintenance of real property.....	526,459	569,000	540,062	618,586
07.04	Interest payments.....	876	347	120	50
07.05	Mortgage insurance premiums.....	65	70	40	30
07.91	Total operation, maintenance, and interest payment.....	1,104,986	1,210,776	1,278,437	1,419,091
08.01	Reimbursable.....	11,233	14,200	14,800	15,200
08.93	Total budget plan.....	1,365,368	1,604,656	1,750,713	1,889,469

## Object Classification (in thousands of dollars)

Identification code	21-0702-0-1-051	1986 actual	1987 est.	1988 est.	1989 est.
Direct obligations:					
11.1	Personnel compensation: Full-time permanent.....	14,421	13,994	14,451	14,674
11.3	Other than full-time permanent.....	9,613	8,927	9,219	9,361
11.5	Other personnel compensation.....	1,265	1,206	1,247	1,265
11.9	Total personnel compensation.....	25,299	24,127	24,917	25,300
12.1	Personnel benefits: Civilian.....	4,129	4,303	5,645	6,338
13.0	Benefits for former personnel.....	62	69	66	72
21.0	Travel and transportation of persons.....	1,014	2,000	2,000	2,000
22.0	Transportation of things.....	8,767	8,000	9,000	10,000
23.2	Rental payments to others.....	292,538	329,423	370,281	412,274
24.0	Printing and reproduction.....	113	1,000	1,000	1,000
Other services:					
25.0	Payments to foreign national indirect hire personnel.....	19,509	30,425	39,722	42,779
25.0	Purchases from industrial funds.....	5,321	5,000	6,000	7,000
25.0	Contracts.....	339,190	371,683	378,709	433,961
25.0	Other.....	371,290	319,096	315,724	342,995
26.0	Supplies and materials.....	34,539	110,000	120,000	130,000
31.0	Equipment.....	2,274	5,244	5,213	5,292
32.0	Lands and structures.....	239,275	328,880	414,857	435,510
43.0	Interest and dividends.....	941	406	160	80
99.0	Subtotal, direct obligations.....	1,344,261	1,539,656	1,693,294	1,854,601
99.0	Reimbursable obligations.....	11,233	14,200	14,800	15,200
99.9	Total obligations.....	1,355,494	1,553,856	1,708,094	1,869,801

## Personnel Summary

Total number of full-time permanent positions.....	899	972	978	998
Total compensable workyears:				
Full-time equivalent employment.....	1,315	1,221	1,239	1,262
Full-time equivalent of overtime and holiday hours.....	19	31	33	34

## STATEMENT OF FAMILY HOUSING INDEBTEDNESS, ARMY

[In thousands of dollars]

	1986 actual	1987 est.	1988 est.	1989 est.
Remaining debt, start of year.....	27,346	12,287	3,934	1,188
Less:				
Debt retirement:				
(a) During year.....	15,059	7,646	2,746	371
(b) Adjustment of prior years.....		707		
Remaining debt, end of year.....	12,287	3,934	1,188	817

## FAMILY HOUSING, NAVY AND MARINE CORPS

For expenses of family housing for the Navy and Marine Corps for construction, including acquisition, replacement, addition, expansion, extension and alteration and for operation and maintenance, including debt payment, leasing, minor construction, principal and interest charges, and insurance premiums, as authorized by law, as follows: for Construction, **[\$171,392,000] \$255,224,000**; for Operation and maintenance, **[\$528,230,000] \$541,790,000**; for debt payment, **[\$9,071,000] \$2,022,000**; in all **[\$708,693,000] \$799,036,000**. Provided,

That the amount provided for construction shall remain available until September 30, [1991] 1992.

Further, for the foregoing purposes, as follows: for Construction **\$255,300,000**; for Operation and maintenance; **\$566,896,000**; for debt payment **\$299,000**; in all **\$822,495,000**, to become available for obligation on October 1, 1988: Provided, That the amount provided for construction shall remain available until September 30, 1993. (10 U.S.C. 2824, 2827-29, 2831, 2851-54, 2857; Military Construction Appropriations Act, 1987, as included in Public Laws 99-500 and 99-591, section 101(k); additional authorizing legislation to be proposed.)

## Program and Financing (in thousands of dollars)

Identification code	17-0703-0-1-051	1986 actual	1987 est.	1988 est.	1989 est.
Program by activities:					
Direct program:					
Construction:					
01.01	Construction of new housing.....	81,378	106,193	172,056	165,479
01.02	Construction improvements.....	32,751	41,516	46,181	66,079
01.03	Planning.....	10,538	7,746	9,787	6,785
01.91	Total construction.....	124,667	155,455	228,024	238,343
Operation, maintenance, and interest payment:					
Operation:					
02.01	Operating expenses.....	248,219	249,371	267,006	277,159
02.02	Leasing.....	17,518	18,859	36,567	42,416
02.03	Maintenance of real property.....	228,498	260,000	238,217	247,321
02.04	Interest payments.....	820	268	42	2
02.05	Mortgage insurance premiums.....	244	190	179	169
02.91	Total operation, maintenance, and interest payment.....	495,299	528,688	542,011	567,067
03.01	Reimbursable program.....	11,218	12,534	12,987	13,241
10.00	Total obligations.....	631,184	696,677	783,022	818,651
Financing:					
11.00	Offsetting collections from: Federal funds.....	-11,218	-12,534	-12,987	-13,241
21.40	Unobligated balance available, start of year: For completion of prior year budget plans.....	-52,550	-58,005	-73,942	-101,142
23.40	Reduction pursuant to P.L. 99-177 in unobligated balance.....	2,575			
24.40	Unobligated balance available, end of year: For completion of prior year budget plans.....	58,005	73,942	101,142	118,099
25.00	Unobligated balance lapsing.....	4,606			
30.00	Deficiency.....	-59			
39.00	Budget authority.....	632,544	700,080	797,235	822,367
Budget authority:					
40.00	Appropriation.....	648,788	708,693	799,036	822,495
40.47	Portion applied to debt reduction.....	-16,244	-8,613	-1,801	-128
43.00	Appropriation (adjusted).....	632,544	700,080	797,235	822,367
Relation of obligations to outlays:					
71.00	Obligations incurred, net.....	619,966	684,143	770,035	805,410
72.40	Obligated balance, start of year.....	471,203	451,170	489,113	575,748
74.40	Obligated balance, end of year.....	-451,170	-489,113	-575,748	-627,258
77.00	Adjustments in expired accounts.....	-3,919			
83.00	Prior year deficiencies, start of year.....		-59	-59	-59
84.00	Prior year deficiencies, end of year.....		59	59	59
90.00	Outlays.....	636,080	646,200	683,400	753,900

## Budget Plan (in thousands of dollars)

Direct:					
Construction:					
06.01	Construction of new housing.....	94,013	120,812	200,033	186,296
06.02	Construction improvements.....	32,353	48,580	48,943	62,689
06.03	Planning.....	6,590	2,000	6,248	6,315
06.91	Total construction.....	132,956	171,392	255,224	255,300
Operation, maintenance, and interest payment:					
Operation:					
07.01	Operating expenses.....	248,219	249,371	267,006	277,159
07.02	Leasing.....	17,518	18,859	36,567	42,416
07.03	Maintenance of real property.....	228,498	260,000	238,217	247,321
07.04	Interest payments.....	820	268	42	2



## General and special funds—Continued

## FAMILY HOUSING, NAVY AND MARINE CORPS—Continued

## Budget Plan (in thousands of dollars)—Continued

07.05	Mortgage insurance premiums.....	244	190	179	169
07.91	Total operation, maintenance, and interest payment .....	495,299	528,688	542,011	567,067
08.01	Reimbursable .....	11,218	12,534	12,987	13,241
08.93	Total budget plan .....	639,473	712,614	810,222	835,608

## Object Classification (in thousands of dollars)

Identification code	17-0703-0-1-051	1986 actual	1987 est.	1988 est.	1989 est.
<b>Direct obligations:</b>					
21.0	Travel and transportation of persons.....	1,509	1,866	2,121	2,297
23.3	Communications, utilities, and miscellaneous charges .....	163,657	167,000	176,073	180,758
<b>Other services:</b>					
25.0	Purchases from industrial funds .....	109,948	107,694	101,628	104,970
25.0	Contracts .....	107,094	135,539	128,773	140,285
25.0	Other .....	104,808	111,672	130,151	133,425
31.0	Equipment .....	14,079	13,009	15,585	17,702
32.0	Lands and structures .....	117,807	146,905	215,483	225,802
43.0	Interest and dividends .....	1,064	458	221	171
99.0	Subtotal, direct obligations .....	619,966	684,143	770,035	805,410
99.0	Reimbursable obligations .....	11,218	12,534	12,987	13,241
99.9	Total obligations .....	631,184	696,677	783,022	818,651

## STATEMENT OF FAMILY HOUSING INDEBTEDNESS, NAVY AND MARINE CORPS

[In thousands of dollars]

	1986 actual	1987 est.	1988 est.	1989 est.
Remaining debt, start of year .....	31,054	14,757	2,831	1,030
Less:				
Debt retirement:				
(a) During year .....	16,297	8,613	1,801	128
(b) Adjustment of prior years .....		3,313		
Remaining debt, end of year .....	14,757	2,831	1,030	902

## FAMILY HOUSING, AIR FORCE

For expenses of family housing for the Air Force for construction, including acquisition, replacement, addition, expansion, extension and alteration for operation and maintenance, including debt payment, leasing, minor construction, principal and interest charges, and insurance premiums, as authorized by law, as follows: for Construction, **[\$104,840,000]** \$223,140,000; for Operation and maintenance, **[\$703,215,000]** \$701,809,000; for debt payment, **[\$7,365,000]** \$1,584,000; in all **[\$815,420,000]** \$926,533,000. *Provided*, That the amount provided for construction shall remain available until September 30, [1991] 1992.

Further, for the foregoing purposes, as follows: for Construction \$201,860,000; for Operation and maintenance; \$755,639,000; for debt payment; \$167,000; in all \$957,666,000, to become available for obligation on October 1, 1988: *Provided*, That the amount provided for construction shall remain available until September 30, 1993. (10 U.S.C. 2824, 2827-29, 2831, 2852-54, 2857; Military Construction Appropriations Act, 1987, as included in Public Laws 99-500 and 99-591, section 101(k); additional authorizing legislation to be proposed.)

## Program and Financing (in thousands of dollars)

Identification code	57-0704-0-1-051	1986 actual	1987 est.	1988 est.	1989 est.
<b>Program by activities:</b>					
<b>Direct program:</b>					
<b>Construction:</b>					
01.01	Construction of new housing .....	93,389	102,094	86,509	70,304
01.02	Construction improvements .....	54,507	41,197	55,157	105,348
01.03	Planning .....	8,348	6,313	7,000	7,800
01.91	Total construction .....	156,244	149,604	148,666	183,452
<b>Operation, maintenance, and interest payment:</b>					
<b>Operation:</b>					
02.01	Operating expenses .....	318,525	333,215	352,557	361,958

02.02	Leasing .....	44,519	70,000	76,842	107,543
02.03	Maintenance of real property .....	253,381	300,000	272,410	286,138
02.04	Interest payments .....	669	206	31	1
02.05	Mortgage insurance premiums .....	188	250	120	100
02.91	Total operation, maintenance, and interest payment .....	617,282	703,671	701,960	755,740
03.01	Reimbursable program .....	19,485	18,000	19,000	19,000
10.00	Total obligations .....	793,011	871,275	869,626	958,192

## Financing:

<b>Offsetting collections from:</b>					
11.00	Federal funds .....	-5,330	-1,800	-1,900	-1,900
13.00	Trust funds .....	-13			
14.00	Non-Federal sources .....	-14,170	-16,200	-17,100	-17,100
17.00	Recovery of prior year obligations .....	-768			
21.40	Unobligated balance available, start of year: For completion of prior year budget plans .....	-201,684	-208,124	-163,360	-237,834
23.40	Reduction pursuant to P.L. 99-177 in unobligated balance .....	9,883			
24.40	Unobligated balance available, end of year: For completion of prior year budget plans .....	208,124	163,360	237,834	256,242
25.00	Unobligated balance lapsing .....	4,066			
39.00	Budget authority .....	793,119	808,511	925,100	957,600
<b>Budget authority:</b>					
40.00	Appropriation .....	806,926	815,420	926,533	957,666
40.47	Portion applied to debt reduction .....	-13,807	-6,909	-1,433	-66
43.00	Appropriation (adjusted) .....	793,119	808,511	925,100	957,600

<b>Relation of obligations to outlays:</b>					
71.00	Obligations incurred, net .....	773,498	853,275	850,626	939,192
72.40	Obligated balance, start of year .....	494,055	453,538	531,013	542,639
74.40	Obligated balance, end of year .....	-453,538	-531,013	-542,639	-585,931
77.00	Adjustments in expired accounts .....	20,592			
78.00	Adjustments in unexpired accounts .....	-768			
90.00	Outlays .....	833,838	775,800	839,000	895,900

## Budget Plan (in thousands of dollars)

<b>Direct:</b>					
<b>Construction:</b>					
06.01	Construction of new housing .....	122,514	39,196	61,620	21,580
06.02	Construction improvements .....	44,031	58,644	154,520	173,280
06.03	Planning .....	6,821	7,000	7,000	7,000
06.91	Total construction .....	173,366	104,840	223,140	201,860
<b>Operation, maintenance, and interest payment:</b>					
<b>Operation:</b>					
07.01	Operating expenses .....	318,525	333,215	352,557	361,958
07.02	Leasing .....	44,519	70,000	76,842	107,543
07.03	Maintenance of real property .....	253,381	300,000	272,410	286,138
07.04	Interest payments .....	669	206	31	1
07.05	Mortgage insurance premiums .....	188	250	120	100
07.91	Total operation, maintenance, and interest payment .....	617,282	703,671	701,960	755,740
08.01	Reimbursable program .....	19,485	18,000	19,000	19,000
08.93	Total obligations .....	810,133	826,511	944,100	976,600

## Object Classification (in thousands of dollars)

Identification code	57-0704-0-1-051	1986 actual	1987 est.	1988 est.	1989 est.
<b>Direct obligations:</b>					
21.0	Travel and transportation of persons.....	124	149	166	167
22.0	Transportation of things .....	1,734	2,085	2,376	2,511
23.2	Rental payments to others .....	243,432	250,585	185,185	209,793
<b>Other services:</b>					
25.0	Contracts .....	143,421	172,426	197,100	208,351
25.0	Other .....	78,275	95,353	107,838	113,676
26.0	Supplies and materials .....	7,741	9,306	10,611	11,217
31.0	Equipment .....	24,089	28,961	33,101	34,990
32.0	Lands and structures .....	250,659	265,374	297,620	340,908
43.0	Interest and dividends .....	24,051	29,036	16,629	17,579
99.0	Subtotal, direct obligations .....	773,526	853,275	850,626	939,192



99.0	Reimbursable obligations .....	19,485	18,000	19,000	19,000
99.9	Total obligations .....	793,011	871,275	869,626	958,192

## STATEMENT OF FAMILY HOUSING INDEBTEDNESS, AIR FORCE

(In thousands of dollars)

	1986 actual	1987 est.	1988 est.	1989 est.
Remaining debt, start of year .....	23,529	9,722	1,499	66
Less:				
Debt retirement:				
(a) During year .....	13,807	6,909	1,433	66
(b) Adjustment of prior years .....		1,314		
Remaining debt, end of year .....	9,722	1,499	66	

## FAMILY HOUSING, DEFENSE AGENCIES

For expenses of family housing for the activities and agencies of the Department of Defense (other than the military departments) for construction, including acquisition, replacement, addition, expansion, extension and alteration and for operation and maintenance, leasing, and minor construction, as authorized by law, as follows: for Construction, **[\$240,000] \$1,186,000**; for Operation and maintenance, **[\$16,403,000] \$18,514,000**; in all **[\$16,643,000] \$19,700,000**. *Provided, That the amount provided for construction shall remain available until September 30, [1991] 1992.*

*Further, for the foregoing purposes, as follows: for Construction \$512,000; for Operation and maintenance; \$19,488,000; in all \$20,000,000, to become available for obligation on October 1, 1988: Provided, That the amount provided for construction shall remain available until September 30, 1993. (Military Construction Appropriations Act, 1987, as included in Public Laws 99-500 and 99-591, section 101(k); additional authorizing legislation to be proposed.)*

## Program and Financing (in thousands of dollars)

Identification code 97-0706-0-1-051	1986 actual	1987 est.	1988 est.	1989 est.
<b>Program by activities:</b>				
Direct program:				
Construction:				
01.01 Construction of new housing .....	18	632	1,075	560
01.02 Construction improvements .....	59	11	19	125
01.91 Total construction .....	77	643	1,094	685
Operation, maintenance, and interest payment:				
Operation:				
02.01 Operating expenses .....	1,064	2,194	2,618	2,807
02.02 Leasing .....	11,970	13,700	15,188	16,109
02.03 Maintenance of real property .....	450	509	708	572
02.91 Total operation, maintenance, and interest payment .....	13,484	16,403	18,514	19,488
03.01 Reimbursable program .....	276	308	706	800
10.00 Total obligations .....	13,837	17,354	20,314	20,973
<b>Financing:</b>				
Offsetting collections from:				
11.00 Federal funds .....	-270	-300	-700	-800
14.00 Non-Federal sources .....	-6	-8	-6	
17.00 Recovery of prior year obligations .....	-7			
21.40 Unobligated balance available, start of year: For completion of prior year budget plans .....	-973	-2,142	-1,739	-1,831
23.40 Reduction pursuant to P.L. 99-177 in unobligated balance .....	48			
24.40 Unobligated balance available, end of year: For completion of prior year budget plans .....	2,142	1,739	1,831	1,658
25.00 Unobligated balance lapsing .....	984			
40.00 Budget authority (appropriation) .....	15,755	16,643	19,700	20,000
Relation of obligations to outlays:				
71.00 Obligations incurred, net .....	13,561	17,046	19,608	20,173
72.40 Obligated balance, start of year .....	6,327	19,341	7,787	9,495
74.40 Obligated balance, end of year .....	-19,341	-7,787	-9,495	-9,568
77.00 Adjustments in expired accounts .....	-457			
78.00 Adjustments in unexpired accounts .....	-7			
90.00 Outlays .....	83	28,600	17,900	20,100

## Budget Plan (in thousands of dollars)

Direct:				
Construction:				
06.01 Construction of new housing .....	1,426	240	1,000	400
06.02 Construction improvements .....	105		186	112
06.91 Total construction .....	1,531	240	1,186	512
Operation, maintenance, and interest payment:				
Operation:				
07.01 Operating expenses .....	1,064	2,194	2,618	2,807
07.02 Leasing .....	11,970	13,700	15,188	16,109
07.03 Maintenance of real property .....	450	509	708	572
07.91 Total operation, maintenance, and interest payment .....	13,484	16,403	18,514	19,488
08.01 Reimbursable program .....	276	308	706	800
08.93 Total budget plan .....	15,291	16,951	20,406	20,800

## Object Classification (in thousands of dollars)

Identification code 97-0706-0-1-051	1986 actual	1987 est.	1988 est.	1989 est.
Direct obligations:				
22.0 Transportation of things .....	170	345	547	571
23.2 Rental payments to others .....	8,339	10,973	12,923	13,638
23.3 Communications, utilities, and miscellaneous charges .....	1,089	1,178	1,157	1,212
25.0 Other services: Contracts .....	3,438	2,990	2,721	2,839
26.0 Supplies and materials .....	277	916	1,166	1,228
31.0 Equipment .....	171	1		
32.0 Land and structures .....	77	643	1,094	685
99.0 Subtotal, direct obligations .....	13,561	17,046	19,608	20,173
99.0 Reimbursable obligations .....	276	308	706	800
99.9 Total obligations .....	13,837	17,354	20,314	20,973

## Public enterprise funds:

## HOMEOWNERS ASSISTANCE FUND, DEFENSE

For use in the Homeowners Assistance Fund established pursuant to section 1013(d) of the Demonstration Cities and Metropolitan Development Act of 1966 (Public Law 89-754, as amended), **[\$2,000,000] \$2,800,000**, to remain available until expended.

*Further, for the foregoing purpose, \$2,000,000, to become available for obligation on October 1, 1988 and to remain available until expended. (Military Construction Appropriations Act, 1987, as included in Public Laws 99-500 and 99-591, section 101(k); additional authorizing legislation to be proposed.)*

## Program and Financing (in thousands of dollars)

Identification code 97-4090-0-3-051	1986 actual	1987 est.	1988 est.	1989 est.
<b>Program by activities:</b>				
Operating expenses:				
01.01 Payment to homeowners (private sale and foreclosure assistance) .....	101	60	164	164
01.02 Other operating costs .....	721	1,390	992	992
01.91 Total operating expenses .....	822	1,450	1,156	1,156
Capital investment:				
02.01 Acquisition of real property .....	870	450	944	944
02.02 Mortgages assumed .....	1,958	3,600	3,000	3,000
02.91 Total capital investment .....	2,828	4,050	3,944	3,944
10.00 Total obligations .....	3,650	5,500	5,100	5,100
<b>Financing:</b>				
11.00 Offsetting collections from: Federal funds .....	-521	-5,856	-2,832	-2,832
17.00 Recovery of prior year obligations .....	-4			
21.98 Unobligated balance available, start of year: Fund balance .....	-4,473	-3,065	-2,721	-3,253
24.98 Unobligated balance available, end of year: Fund balance .....	3,065	2,721	3,253	2,985
32.47 Balance of authority to borrow withdrawn .....	241	6,300	3,000	3,000
39.00 Budget authority .....	1,958	5,600	5,800	5,000



## Public enterprise funds—Continued

## HOMEOWNERS ASSISTANCE FUND, DEFENSE—Continued

## Program and Financing (in thousands of dollars)—Continued

Identification code	97-4090-0-3-051	1986 actual	1987 est.	1988 est.	1989 est.
Budget authority:					
40.00 Appropriation.....			2,000	2,800	2,000
67.10 Authority to borrow (permanent, indefinite).....		1,958	3,600	3,000	3,000
Relation of obligations to outlays:					
71.00 Obligations incurred, net.....		3,129	-356	2,268	2,268
72.98 Obligated balance, start of year: Fund balance.....		594	356	100	1,568
74.98 Obligated balance, end of year: Fund balance.....		-356	-100	-1,568	-3,036
78.00 Adjustments in unexpired accounts.....		-4			
90.00 Outlays.....		3,364	-100	800	800

## Revenue and Expense (in thousands of dollars)

Operating loss: Operating program: Expense.....	-822	-1,450	-1,156	-1,156
Capital program:				
Revenue.....	521	5,856	2,832	2,832
Expense.....	-620	-7,765	-3,944	-3,944
Net capital gain or loss (-).....	-99	-1,909	-1,112	-1,112
Net gain or loss (-) for the year.....	-921	-3,359	-2,268	-2,268

## Financial Condition (in thousands of dollars)

	1986 actual	1987 est.	1988 est.	1989 est.
<b>Assets:</b>				
Selected assets:				
Fund balance with Treasury.....	3,421	2,821	4,821	6,021
Real property on hand.....	6,010	2,295	2,295	2,295
Total assets.....	9,431	5,116	7,116	8,316
<b>Liabilities:</b>				
Selected liabilities:				
Accounts payable.....	356	100	1,568	3,036
Mortgages outstanding.....	2,989	289	289	289
Total liabilities.....	3,345	389	1,857	3,325
<b>Government equity:</b>				
Selected equities:				
Unexpended budget authority:				
Unobligated balance.....	3,065	2,721	3,253	2,985
Invested capital.....	3,021	2,006	2,006	2,006
Total Government equity.....	6,086	4,727	5,259	4,991

## Analysis of changes in Government equity:

<b>Paid-in capital:</b>				
Opening balance.....	53,808	53,808	55,808	58,608
Closing balance.....	53,808	55,808	58,608	60,608
<b>Deficit:</b>				
Opening balance.....	-46,801	-47,722	-51,081	-53,349
Net gain or loss (-) for the year.....	-921	-3,359	-2,268	-2,268
Closing balance.....	-47,722	-51,081	-53,349	-55,617
Total Government equity (end of year).....	6,086	4,727	5,259	4,991

## Object Classification (in thousands of dollars)

Identification code	97-4090-0-3-051	1986 actual	1987 est.	1988 est.	1989 est.
11.8 Personnel compensation: Special personal services payments.....			238	238	238
21.0 Travel and transportation of persons.....		9	20	25	25
23.3 Communications, utilities, and miscellaneous charges.....		60			
24.0 Printing and reproduction.....		2	1	1	1

25.0 Other services: Other.....	952	1,128	725	725
26.0 Supplies and materials.....	5	3	3	3
32.0 Lands and structures.....	1,915	4,050	3,944	3,944
42.0 Insurance claims and indemnities.....	707	60	164	164
99.9 Total obligations.....	3,650	5,500	5,100	5,100

## SPECIAL FOREIGN CURRENCY PROGRAM

## Federal Funds

## General and special funds:

## [SPECIAL FOREIGN CURRENCY PROGRAM]

[For payment in foreign currencies which the Treasury Department determines to be excess to the normal requirements of the United States for expenses in carrying out programs of the Department of Defense, as authorized by law; \$3,500,000, to remain available for obligation until September 30, 1988: *Provided*, That this appropriation shall be available in addition to other appropriations to such Department, for payments in the foregoing currencies.] (*Department of Defense Appropriations Act, 1987, as included in Public Laws 99-500 and 99-591, section 101(c).*)

## Program and Financing (in thousands of dollars)

Identification code	97-0800-0-1-051	1986 actual	1987 est.	1988 est.	1989 est.
<b>Program by activities:</b>					
10.00 Research—Total obligations.....		3,479	2,660	1,925	
<b>Financing:</b>					
17.00 Recovery of prior year obligations.....		-7			
21.40 Unobligated balance available, start of year: For completion of prior year budget plans.....		-3,435	-1,085	-1,925	
23.40 Reduction pursuant to P.L. 99-177 in unobligated balance.....		168			
24.40 Unobligated balance available, end of year: For completion of prior year budget plans.....		1,085	1,925		
25.00 Unobligated balance lapsing.....		708			
40.00 Budget authority (appropriation).....		1,997	3,500		
Relation of obligations to outlays:					
71.00 Obligations incurred, net.....		3,479	2,660	1,925	
72.40 Obligated balance, start of year.....		9,169	10,137	8,797	8,322
74.40 Obligated balance, end of year.....		-10,137	-8,797	-8,322	-7,022
77.00 Adjustments in expired accounts.....		3			
78.00 Adjustments in unexpired accounts.....		-7			
90.00 Outlays.....		2,507	4,000	2,400	1,300

## Budget Plan (in thousands of dollars)

(amount for foreign currency undertakings programmed)

07.03 Research—Total budget plan.....	1,997	3,500		
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This appropriation provided dollars to be used exclusively for purchase from the Treasury of excess foreign currencies. No appropriations are requested in 1988 and 1989.

## Object Classification (in thousands of dollars)

Identification code	97-0800-0-1-051	1986 actual	1987 est.	1988 est.	1989 est.
21.0 Travel and transportation of persons.....		63	68	60	
25.0 Other services: Contracts.....		2,535	2,295	1,512	
41.0 Grants, subsidies, and contributions.....		881	297	353	
99.9 Total obligations.....		3,479	2,660	1,925	



## REVOLVING AND MANAGEMENT FUNDS

## Federal Funds

## Public enterprise funds:

## DEFENSE PRODUCTION GUARANTEES

## Program and Financing (in thousands of dollars)

Identification code	97-9931-0-3-051	1986 actual	1987 est.	1988 est.	1989 est.
<b>Program by activities:</b>					
10.00	Total obligations (object class 33.0)	3,236	9,057		
<b>Financing:</b>					
11.00	Offsetting collections from: Federal funds		-9,057		
21.98	Unobligated balance available, start of year: Fund balance	-9,759	-9,758	-701	-701
24.98	Unobligated balance available, end of year: Fund balance	9,758	701	701	701
31.00	Redemption of debt		9,057		
67.10	Budget authority (authority to borrow) (permanent, indefinite) (12 U.S.C. 2281-96)	3,236			
<b>Relation of obligations to outlays:</b>					
71.00	Obligations incurred, net	3,236			
72.10	Receivables in excess of obligations, start of year	-3			
90.00	Outlays	3,233			

## Status of Direct Loans (in thousands of dollars)

<b>Cumulative balance of direct loans outstanding:</b>					
1210	Outstanding, start of year	6,682	9,918		
1231	Disbursements: Direct loan disbursements	3,236			
1251	Repayments: Repayments and prepayments		-9,057		
1262	Adjustments: Write-offs for default		-861		
1290	Outstanding, end of year	9,918			

## LAUNDRY SERVICE, NAVAL ACADEMY

## Program and Financing (in thousands of dollars)

Identification code	17-4002-0-3-051	1986 actual	1987 est.	1988 est.	1989 est.
<b>Program by activities:</b>					
10.00	Total obligations	2,244	2,282	2,292	2,302
<b>Financing:</b>					
Offsetting collections from:					
11.00	Federal funds	-294	-318	-321	-324
14.00	Non-Federal sources	-1,776	-2,054	-1,971	-1,978
21.98	Unobligated balance available, start of year: Fund balance	-250	-75	-165	-165
24.98	Unobligated balance available, end of year: Fund balance	75	165	165	165
39.00	Budget authority				
<b>Relation of obligations to outlays:</b>					
71.00	Obligations incurred, net	174	-90		
72.10	Receivables in excess of obligations, start of year	-90	-83	-173	-173
74.10	Receivables in excess of obligations, end of year	83	173	173	173
90.00	Outlays	168			

The Naval Academy laundry is operated to provide laundry service for Naval Academy activities and personnel.

## Object Classification (in thousands of dollars)

Identification code	17-4002-0-3-051	1986 actual	1987 est.	1988 est.	1989 est.
<b>Personnel compensation:</b>					
11.1	Full-time permanent	1,027	1,492	1,502	1,540
11.3	Other than full-time permanent	520	30	30	
11.5	Other personnel compensation	49	74	74	74
11.9	Total personnel compensation	1,596	1,596	1,606	1,614
12.1	Personnel benefits: Civilian	169	184	186	187
21.0	Travel and transportation of persons	3	4	4	4
23.2	Rental payments to others	130	150	150	148
24.0	Printing and reproduction	3	30	30	30
25.0	Other services: Other	70	54	55	55
26.0	Supplies and materials	70	194	191	194
31.0	Equipment	203	70	70	70
99.9	Total obligations	2,244	2,282	2,292	2,302

## Personnel Summary

Total number of full-time permanent positions	50	28	28	28
Total compensable workyears:				
Full-time equivalent employment	85	77	77	77
Full-time equivalent of overtime and holiday hours	1	1	1	1

## DEPARTMENT OF DEFENSE STOCK FUNDS

Department of Defense stock funds finance the purchase of materials for resale to the military services and other authorized customers (10 U.S.C. 2208). These inventories are stocked at various Defense activities. Mobilization reserve materials are also purchased through the stock funds.

**Budget program.**—Inventories rise in 1988 and 1989 over 1987 for increased non-fuel inventory levels to support an expanding force structure, the modernization of the existing force, and other logistics initiatives. Efforts continue to achieve efficiencies in spare parts procurement through acquisition reform. The following table shows the stock fund inventories (in millions of dollars) resulting from the budget program.

	1986 actual	1987 est.	1988 est.	1989 est.
<b>Army stock fund:</b>				
Operating and other stocks	2,986.7	3,284.3	3,240.3	3,542.9
Mobilization reserve stocks	1,408.1	1,857.5	2,059.6	2,264.3
Other stocks	2,263.7	2,183.0	2,175.7	2,179.6
Total	6,658.5	7,324.8	7,475.6	7,986.8
<b>Navy stock fund:</b>				
Operating and other stocks	11,529.1	12,493.2	13,832.6	14,788.5
Mobilization reserve stocks	1,690.0	1,732.6	2,045.2	2,133.4
Other stocks	11,227.5	10,773.4	10,112.3	9,545.4
Total	24,446.6	24,999.2	25,990.1	26,467.3
<b>Marine Corps stock fund:</b>				
Operating and other stocks	147.7	136.5		
Mobilization reserve stocks	157.5	171.7		
Other stocks	65.8	55.6		
Total	371.0	363.8		
<b>Air Force stock fund:</b>				
Operating and other stocks	3,306.4	3,910.0	3,615.8	3,515.6
Mobilization reserve stocks	962.6	1,159.6	1,111.0	1,238.3
Other stocks	2,187.1	2,225.6	2,223.1	2,492.8
Total	6,456.1	7,295.2	6,949.9	7,246.7
<b>Defense stock fund:</b>				
Operating and other stocks	5,900.1	6,558.6	6,837.6	6,682.2
Mobilization reserve stocks	2,896.1	3,219.3	3,356.2	3,280.0
Other stocks	2,728.4	3,033.0	3,162.0	3,090.2
Total	11,524.6	12,810.9	13,355.8	13,052.4



## Public enterprise funds—Continued

## DEPARTMENT OF DEFENSE STOCK FUNDS—Continued

## Total Department of Defense stock funds:

Operating and other stocks.....	23,870.0	26,382.6	27,526.3	28,529.2
Mobilization reserve stocks.....	7,114.3	8,140.7	8,572.0	8,916.0
Other stocks.....	18,472.5	18,270.6	17,673.1	17,308.0
<b>Total.....</b>	<b>49,456.8</b>	<b>52,793.9</b>	<b>53,771.4</b>	<b>54,753.2</b>

<sup>1</sup> Combined with Navy Stock Fund in 1988 and beyond.

**Financing the budget program.**—The budget program is financed primarily from sales to customers. Gross expenditures in 1988 and 1989 are projected to be higher than in 1987 to support an expanding force. Estimated expenditures are shown below (in millions of dollars):

	Gross outlays			
	1986 actual	1987 est.	1988 est.	1989 est.
Army stock fund.....	6,809.0	7,289.6	7,523.8	7,786.8
Navy stock fund.....	8,024.9	9,234.6	10,143.6	9,897.6
Marine Corps stock fund.....	401.7	275.6		
Air Force stock fund.....	10,181.9	9,878.3	10,214.3	10,368.0
Defense stock fund.....	11,570.8	10,581.2	12,330.5	12,340.3
<b>Total Department of Defense stock funds....</b>	<b>36,988.3</b>	<b>37,259.3</b>	<b>40,212.2</b>	<b>40,392.7</b>

Procurement leadtime for material acquisition is greater than the time required to fill and collect customers' orders. As a result, Department of Defense stock funds are authorized to incur obligations in anticipation of future years' sales (10 U.S.C. 2210(b)). Pursuant to this authority, the outstanding balance of contract authority was \$11,359.5 million at the end of 1986, and is estimated to remain at \$11,359.5 million in 1988 and 1989.

**Operating results and financial conditions.**—Revenue and expenses for 1987, 1988, and 1989 are projected on a break-even basis. It is estimated that by the end of 1989, there will be \$59,261.2 million in inventory and other assets. Liabilities will be \$4,280.1 million and invested capital from appropriations, capitalized resources and retained income will be \$54,981.1 million.

## Intragovernmental funds:

## ARMY STOCK FUND

For the Army stock fund; **[\$110,100,000] \$263,207,000.**

Further, for the Army Stock Fund, **\$349,929,000**, to become available for obligation on October 1, 1988. (10 U.S.C. 2208; Department of Defense Appropriations Act, 1987, as included in Public Laws 99-500 and 99-591, section 101(c); additional authorizing legislation to be proposed.)

## Program and Financing (in thousands of dollars)

Identification code 21-4991-0-4-051	1986 actual	1987 est.	1988 est.	1989 est.
<b>Program by activities:</b>				
01.01 Ground equipment parts and supplies.....	256,286	255,000	255,300	313,600
01.02 Aeronautical supplies.....	462,151	364,300	344,500	408,400
01.03 Missile parts.....	86,379	35,200	68,100	98,400
01.04 Tank and automotive supplies.....	619,104	639,000	693,200	677,000
01.05 Japan area supplies.....	28,169	22,000	21,600	22,600
01.06 Korea area supplies.....	229,858	217,700	228,200	234,400
01.07 Electronics supplies.....	242,821	239,700	298,200	293,300
01.08 Retail, map, and reserves.....	126,358	4,100	48,700	70,600
01.09 Commissary resale.....	1,668,271	1,720,500	1,777,600	1,838,000
01.10 Defense supply service.....	18,877	20,000	21,000	22,000
01.11 Western command supplies.....	80,031	80,500	77,800	79,200
01.12 Other continental U.S. supplies.....	371,689	410,000	441,300	452,300

01.13 European area supplies.....	1,051,546	815,400	824,000	820,800
01.17 Weapons, special weapons, chemical and fire control supplies.....	358,078	344,800	359,900	396,100
01.18 Forces command supplies.....	1,044,895	1,101,300	1,106,300	1,102,600
01.19 Training and doctrine command supplies.....	786,793	917,300	922,600	940,700
<b>10.00 Total obligations.....</b>	<b>7,431,306</b>	<b>7,186,800</b>	<b>7,488,300</b>	<b>7,770,000</b>
<b>Financing:</b>				
Offsetting collections from:				
11.00 Federal funds.....	-4,313,382	-5,007,366	-5,252,419	-5,412,675
13.00 Trust funds.....	-130,757	-229,926	-219,186	-223,044
14.00 Non-Federal sources.....	-1,666,049	-1,839,408	-1,753,488	-1,784,352
17.00 Recovery of prior year obligations.....	-153,364			
<b>39.00 Budget authority.....</b>	<b>1,167,754</b>	<b>110,100</b>	<b>263,207</b>	<b>349,929</b>
<b>Budget authority:</b>				
40.00 Appropriation.....	373,743	110,100	263,207	349,929
69.10 Contract authority (10 U.S.C. 2210(b)) (permanent, indefinite).....	794,011			
<b>Relation of obligations to outlays:</b>				
71.00 Obligations incurred, net.....	1,321,118	110,100	263,207	349,929
Obligated balance, start of year:				
72.49 Contract authority.....	1,267,811	2,061,822	2,061,822	2,061,822
72.98 Fund balance.....	1,239,796	854,157	809,157	788,864
Obligated balance, end of year:				
74.49 Contract authority.....	-2,061,822	-2,061,822	-2,061,822	-2,061,822
74.98 Fund balance.....	-854,157	-809,157	-788,864	-891,993
78.00 Adjustments in unexpired accounts.....	-153,364			
<b>90.00 Outlays.....</b>	<b>759,382</b>	<b>155,100</b>	<b>283,500</b>	<b>246,800</b>

## Status of Unfunded Contract Authority (in thousands of dollars)

Identification code 21-4991-0-4-051	1986 actual	1987 est.	1988 est.	1989 est.
Unfunded balance, start of year.....	1,267,811	2,061,822	2,061,822	2,061,822
Contract authority.....	794,011			
Unfunded balance, end of year.....	2,061,822	2,061,822	2,061,822	2,061,822

## Object Classification (in thousands of dollars)

Identification code 21-4991-0-4-051	1986 actual	1987 est.	1988 est.	1989 est.
22.0 Transportation of things.....	43,856	42,989	40,901	42,024
25.0 Other services: Other.....	73,952	83,589	79,529	81,713
26.0 Supplies and materials.....	7,097,232	6,973,448	7,285,311	7,561,437
31.0 Equipment.....	216,266	86,774	82,559	84,826
<b>99.9 Total obligations.....</b>	<b>7,431,306</b>	<b>7,186,800</b>	<b>7,488,300</b>	<b>7,770,000</b>

## NAVY STOCK FUND

For the Navy stock fund; **[\$352,570,000] \$404,400,000.**

Further, for the Navy Stock Fund, **\$434,581,000**, to become available for obligation on October 1, 1988. (10 U.S.C. 2208; Department of Defense Appropriations Act, 1987, as included in Public Laws 99-500 and 99-591, section 101(c); additional authorizing legislation to be proposed.)

## Program and Financing (in thousands of dollars)

Identification code 17-4911-0-4-051	1986 actual	1987 est.	1988 est.	1989 est.
<b>Program by activities:</b>				
01.01 Ships, ordnance, and electronics repair parts.....	452,267	447,300	449,300	482,300
01.02 Forms and printed matter.....	15,520	18,000	18,800	18,900
01.03 Ships store and commissary store stock.....	899,155	999,200	1,113,000	1,121,200
01.04 Profits from sale of ships' stores paid to ships' store profits, Navy.....	21,653	22,700	22,900	23,000
01.05 Ship overhaul material.....	123,172	197,500	202,200	209,600
01.06 Special clearance account.....	-173	1,000	1,000	1,000



01.07	Fleet material support office—				
	Retail commodities.....	1,591,811	1,619,400	1,732,800	1,801,400
01.08	Aviation consumable material.....	730,390	778,000	771,200	837,700
01.09	Fuels and related items.....	1,744,534	1,601,600	1,511,100	1,531,500
01.10	Ship depot level repairables.....	1,136,936	1,180,700	1,184,800	1,291,800
01.11	Aviation depot level repairables.....	2,778,649	1,883,700	2,037,000	2,047,000
01.14	Amphibious supplies.....			23,869	17,105
01.15	Retail—all other (less fuel).....			129,177	145,636
01.16	Fuels and related items.....			22,961	23,160
01.17	Subsistence—commissary.....			250,104	261,899
10.00	Total obligations.....	9,493,914	8,749,100	9,470,211	9,813,200
<b>Financing:</b>					
Offsetting collections from:					
11.00	Federal funds.....	-6,313,686	-7,236,530	-7,665,582	-7,903,218
13.00	Trust funds.....	-71,417	-65,700	-63,200	-62,600
14.00	Non-Federal sources.....	-1,019,917	-1,094,300	-1,337,029	-1,412,801
39.00	Budget authority.....	2,088,894	352,570	404,400	434,581
<b>Budget authority:</b>					
40.00	Appropriation.....	607,213	352,570	404,400	434,581
69.10	Contract authority (10 U.S.C. 2210(b)) (permanent, indefinite).....	1,481,681			
<b>Relation of obligations to outlays:</b>					
71.00	Obligations incurred, net.....	2,088,894	352,570	404,400	434,581
Obligated balance, start of year:					
72.49	Contract authority.....	4,134,189	5,615,870	5,615,870	5,657,172
72.98	Fund balance.....	1,913,946	1,806,583	1,146,253	991,830
Obligated balance transferred, net:					
73.49	Contract authority.....			41,302	
73.98	Fund balance.....			31,977	
Obligated balance, end of year:					
74.49	Contract authority.....	-5,615,870	-5,615,870	-5,657,172	-5,657,172
74.98	Fund balance.....	-1,806,583	-1,146,253	-991,830	-964,411
90.00	Outlays.....	714,576	1,012,900	590,800	462,000

**Status of Unfunded Contract Authority (in thousands of dollars)**

Identification code	17-4911-0-4-051	1986 actual	1987 est.	1988 est.	1989 est.
Untended balance, start of year.....		4,134,189	5,615,870	5,615,870	5,657,172
Contract authority.....		1,481,681			
Transferred to other accounts.....				41,302	
Untended balance, end of year.....		5,615,870	5,615,870	5,657,172	5,657,172

**Object Classification (in thousands of dollars)**

Identification code	17-4911-0-4-051	1986 actual	1987 est.	1988 est.	1989 est.
22.0	Transportation of things.....	31,525	53,400	61,100	61,300
25.0	Other services: Other.....	1,358,262	1,510,900	1,502,100	1,554,200
26.0	Supplies and materials.....	8,082,474	7,162,100	7,884,111	8,174,700
42.0	Insurance claims and indemnities.....	21,653	22,700	22,900	23,000
99.9	Total obligations.....	9,493,914	8,749,100	9,470,211	9,813,200

**[MARINE CORPS STOCK FUND]**

**[For the Marine Corps stock fund; \$822,000.] (10 U.S.C. 2208; Department of Defense Appropriations Act, 1987 as included in Public Laws 99-500 and 99-591, section 101(c).)**

**Program and Financing (in thousands of dollars)**

Identification code	17-4913-0-4-051	1986 actual	1987 est.	1988 est.	1989 est.
<b>Program by activities:</b>					
01.01	Amphibious supplies.....	14,073	17,362		
01.02	Retail—All other (less fuel).....	113,021	102,218		
01.03	Fuels and related items.....	22,914	24,044		
01.04	Subsistence—commissary.....	221,211	233,345		
10.00	Total obligations (object class 26.0).....	371,219	376,969		
<b>Financing:</b>					
Offsetting collections from:					
11.00	Federal funds.....	-162,788	-202,634		
13.00	Trust funds.....		-200		

14.00	Non-Federal sources.....	-170,219	-173,313		
39.00	Budget authority.....	38,211	822		
<b>Budget authority:</b>					
40.00	Appropriation.....	35,853	822		
69.10	Contract authority (10 U.S.C. 2210(b)) (permanent, indefinite).....	2,358			
<b>Relation of obligations to outlays:</b>					
71.00	Obligations incurred, net.....	38,212	822		
Obligated balance, start of year:					
72.49	Contract authority.....	38,944	41,302	41,302	
72.98	Fund balance.....	60,072	52,155	31,977	
Obligated balance transferred, net:					
73.49	Contract authority.....			-41,302	
73.98	Fund balance.....			-31,977	
Obligated balance, end of year:					
74.49	Contract authority.....	-41,302	-41,302		
74.98	Fund balance.....	-52,155	-31,977		
90.00	Outlays.....	43,771	21,000		

**Status of Unfunded Contract Authority (in thousands of dollars)**

Identification code	17-4913-0-4-051	1986 actual	1987 est.	1988 est.	1989 est.
Untended balance, start of year.....		38,944	41,302	41,302	
Contract authority.....		2,358			
Transferred to other accounts.....				-41,302	
Untended balance, end of year.....		41,302	41,302		

**AIR FORCE STOCK FUND**

**For the Air Force stock fund; [\$139,980,000] \$326,007,000.**

**Further, for the Air Force Stock Fund, \$224,738,000, to become available for obligation on October 1, 1988. (10 U.S.C. 2208; Department of Defense Appropriations Act, 1987, as included in Public Laws 99-500 and 99-591, section 101(c); additional authorizing legislation to be proposed.)**

**Program and Financing (in thousands of dollars)**

Identification code	57-4921-0-4-051	1986 actual	1987 est.	1988 est.	1989 est.
<b>Program by activities:</b>					
01.02	Commissary.....	2,283,162	2,367,670	2,468,148	2,565,800
01.03	Fuels and related items.....	3,767,621	3,490,399	3,537,704	3,609,099
01.04	Air Force Academy cadet store.....	8,328	8,997	9,306	9,601
01.05	Medical-dental.....	292,088	313,600	357,073	363,760
01.06	General support.....	2,001,042	2,197,573	2,271,591	2,448,624
01.07	Systems support.....	1,725,313	1,435,100	1,431,844	1,496,846
10.00	Total obligations.....	10,077,554	9,813,339	10,075,666	10,493,730
<b>Financing:</b>					
Offsetting collections from:					
11.00	Federal Funds.....	-6,928,391	-7,179,290	-7,169,257	-7,592,106
13.00	Trust funds.....	-208,649	-205,519	-205,792	-210,142
14.00	Non-Federal sources.....	-2,188,031	-2,288,550	-2,374,610	-2,466,744
39.00	Budget authority.....	752,484	139,980	326,007	224,738
<b>Budget authority:</b>					
40.00	Appropriation.....	395,521	139,980	326,007	224,738
69.10	Contract authority (10 U.S.C. 2210(b)) (permanent, indefinite).....	356,963			
<b>Relation of obligations to outlays:</b>					
71.00	Obligations incurred, net.....	752,483	139,980	326,007	224,738
Obligated balance, start of year:					
72.49	Contract authority.....	910,198	1,267,161	1,267,161	1,267,161
72.98	Fund balance.....	1,715,671	845,388	835,168	884,175
Obligated balance, end of year:					
74.49	Contract authority.....	-1,267,161	-1,267,161	-1,267,161	-1,267,161
74.98	Fund balance.....	-845,388	-835,168	-884,175	-901,913
90.00	Outlays.....	1,265,804	150,200	277,000	207,000



## Intragovernmental funds—Continued

## AIR FORCE STOCK FUND—Continued

## Status of Unfunded Contract Authority (in thousands of dollars)

Identification code 57-4921-0-4-051	1986 actual	1987 est.	1988 est.	1989 est.
Unfunded balance, start of year	910,198	1,267,161	1,267,161	1,267,161
Contract authority	356,963			
Unfunded balance, end of year	1,267,161	1,267,161	1,267,161	1,267,161

## Object Classification (in thousands of dollars)

Identification code 57-4921-0-4-051	1986 actual	1987 est.	1988 est.	1989 est.
22.0 Transportation of things	38,528	39,444	41,103	42,200
25.0 Other services: Contracts	19,074	19,884	20,721	21,274
26.0 Supplies and materials	9,839,751	9,572,494	9,824,692	10,236,058
31.0 Equipment	180,201	181,517	189,150	194,198
99.9 Total obligations	10,077,554	9,813,339	10,075,666	10,493,730

## DEFENSE STOCK FUND

For the Defense stock fund; [\$47,200,000] \$207,600,000.

Further, for the Defense Stock Fund, \$122,700,000, to become available for obligation on October 1, 1988. (10 U.S.C. 2208; Department of Defense Appropriations Act, 1987, as included in Public Laws 99-500 and 99-591, section 101(c); additional authorizing legislation to be proposed.)

## Program and Financing (in thousands of dollars)

Identification code 97-4961-0-4-051	1986 actual	1987 est.	1988 est.	1989 est.
<b>Program by activities:</b>				
01.01 Clothing and textiles	1,258,305	1,236,900	1,288,200	1,389,300
01.02 Medical and dental material	720,773	931,100	863,600	878,500
01.03 Subsistence	1,755,172	1,583,100	1,707,500	1,758,700
01.04 General supplies	841,128	816,700	851,100	878,200
01.05 Industrial supplies	691,311	549,300	584,000	609,800
01.06 Construction supplies	934,441	1,043,000	1,038,400	1,081,800
01.07 Electronics	693,727	724,000	738,000	769,400
01.08 Base operating supplies	101,464	123,600	133,900	144,300
01.10 Fuels and related items	5,257,397	6,681,200	4,382,400	4,788,500
10.00 Total obligations	12,253,718	13,688,900	11,587,100	12,298,500
<b>Financing:</b>				
Offsetting collections from:				
11.00 Federal funds	-11,090,704	-13,408,300	-11,173,200	-11,960,500
13.00 Trust funds	-309,684	-195,700	-204,600	-214,600
14.00 Non-Federal sources	-294,824	-37,700	-1,700	-700
21.98 Unobligated balance available, start of year: Fund balance	-17,658	-396	-396	-396
24.98 Unobligated balance available, end of year: Fund balance	396	396	396	396
39.00 Budget authority	541,245	47,200	207,600	122,700
<b>Budget authority:</b>				
Current:				
40.00 Appropriation	142,365	47,200	207,600	122,700
41.00 Transferred to other accounts	-58,000			
43.00 Appropriation (adjusted)	84,365	47,200	207,600	122,700
Permanent:				
69.10 Contract authority (10 U.S.C. 2210(b)) (permanent, indefinite)	456,880			
<b>Relation of obligations to outlays:</b>				
71.00 Obligations incurred, net	558,506	47,200	207,600	122,700
72.49 Contract authority	1,916,461	2,373,341	2,373,341	2,373,341
72.98 Fund balance	1,342,602	1,272,495	538,295	570,895
74.49 Contract authority	-2,373,341	-2,373,341	-2,373,341	-2,373,341
74.98 Fund balance	-1,272,495	-538,295	-570,895	-519,495
90.00 Outlays	171,733	781,400	175,000	174,100

## Status of Direct Loans (in thousands of dollars)

Identification code 97-4961-0-4-051	1986 actual	1987 est.	1988 est.	1989 est.
<b>Cumulative balance of direct loans outstanding:</b>				
1210 Outstanding, start of year	1,210	1,210		
1262 Write-offs for default		-1,210		
1290 Outstanding, end of year	1,210			

## Status of Unfunded Contract Authority (in thousands of dollars)

Unfunded balance, start of year	1,916,461	2,373,341	2,373,341	2,373,341
Contract authority	456,880			
Unfunded balance, end of year	2,373,341	2,373,341	2,373,341	2,373,341

## Object Classification (in thousands of dollars)

Identification code 97-4961-0-4-051	1986 actual	1987 est.	1988 est.	1989 est.
22.0 Transportation of things	555,796	583,400	577,800	583,900
25.0 Other services: Other	201,823	332,400	369,900	393,300
26.0 Supplies and materials	11,496,099	12,773,100	10,639,400	11,321,300
99.9 Total obligations	12,253,718	13,688,900	11,587,100	12,298,500

## INDUSTRIAL FUNDS

Department of Defense industrial funds finance various Defense activities that perform industrial or commercial type functions on a reimbursable basis (10 U.S.C. 2208). Workload at these activities is generated by orders from various customers who provide reimbursement through progress payments for the full cost of the work performed. This enables the industrial funds to maintain the level of working capital needed for continued operations.

**Budget program.**—The policy of stabilizing the rates charged to customers will continue. Estimated total obligations are projected to decrease by over \$170 million and \$540 million in 1988 and 1989 respectively, reflecting changes in customer workload requirements and the transfer of certain functions to an appropriated fund status. Yearend totals are shown in the following table (in thousands of dollars):

## TOTAL OBLIGATIONS

	1986 actual	1987 est.	1988 est.	1989 est.
Army industrial fund	3,222,374	2,895,524	2,997,663	2,452,536
Navy industrial fund	14,962,210	13,731,076	13,414,900	13,287,896
Marine Corps industrial fund	103,878	114,232	119,273	118,871
Air Force industrial fund	5,985,819	6,009,129	5,990,486	6,019,925
Defense industrial fund	1,271,479	1,208,561	1,264,973	1,363,984
Total	25,545,760	23,958,522	23,787,295	23,243,212

The U.S. Army activities financed through the Army industrial fund include depot supply and maintenance operations, arsenals, missile material development and acquisition, and port handling of Defense cargo.

The Navy industrial fund finances a variety of activities, including aircraft maintenance facilities, ordnance stations, research laboratories, shipyards, printing plants, public works centers, and the Military Sealift Command.

The Marine Corps industrial fund finances maintenance depots engaged in repairing or overhauling Marine Corps equipment and providing technical engineering support.



The activities financed under the Air Force industrial fund include laundries, depot maintenance activities, a real property maintenance facility, and airlift services.

The Defense industrial fund finances the Defense Clothing and Textile Center and leased communications procured by the Defense Commercial Communications Office.

## ARMY INDUSTRIAL FUND

## Program and Financing (in thousands of dollars)

Identification code	21-4992-0-4-051	1986 actual	1987 est.	1988 est.	1989 est.
<b>Program by activities:</b>					
01.01	Depot maintenance activities	1,881,791	1,725,657	1,773,616	1,765,764
01.02	Missile command	563,130	487,044	493,995	
01.05	Transportation and terminal activity	229,644	190,128	205,076	218,068
01.08	Armaments command	547,809	492,695	524,976	468,704
10.00	Total obligations	3,222,374	2,895,524	2,997,663	2,452,536
<b>Financing:</b>					
Offsetting collections from:					
11.00	Federal funds	-2,954,345	-2,619,879	-2,621,504	-1,655,677
13.00	Trust funds	-31,419	-98,600	-77,100	-75,200
14.00	Non-Federal sources	-9,184	-5,500	-5,609	-5,829
21.98	Unobligated balance available, start of year: Fund balance	-1,634,759	-1,406,033	-1,234,488	-941,038
22.98	Unobligated balance transferred, net: Fund balance	1,300			
24.98	Unobligated balance available, end of year: Fund balance	1,406,033	1,234,488	941,038	225,208
39.00	<b>Budget authority</b>				
Relation of obligations to outlays:					
71.00	Obligations incurred, net	227,426	171,545	293,450	715,830
72.10	Receivables in excess of obligations, start of year	-1,158,194	-983,472	-811,927	-518,477
74.10	Receivables in excess of obligations, end of year	983,472	811,927	518,477	
74.98	Obligated balance, end of year: Fund balance				-197,353
90.00	Outlays	52,704			

## Object Classification (in thousands of dollars)

Identification code	21-4992-0-4-051	1986 actual	1987 est.	1988 est.	1989 est.
<b>Personnel compensation:</b>					
11.1	Full-time permanent	1,375,778	1,295,570	1,266,590	1,001,595
11.3	Other than full-time permanent	76,494	72,032	70,420	55,688
11.5	Other personnel compensation	80,170	75,497	73,809	58,365
11.8	Special personal services payments	459	433	423	335
11.9	Total personnel compensation	1,532,901	1,443,532	1,411,242	1,115,983
12.1	Personnel benefits: Civilian	187,229	216,362	281,769	230,833
13.0	Benefits for former personnel	164	88	124	119
21.0	Travel and transportation of persons	50,509	49,500	47,500	46,751
22.0	Transportation of things	63,203	64,000	64,000	62,344
23.2	Rental payments to others	73,848	70,000	69,173	67,746
24.0	Printing and reproduction	2,224	2,133	2,252	2,255
<b>Other services:</b>					
25.0	Payments to foreign national indirect hire personnel	2,061	3,270	12,379	7,747
25.0	Other	450,575	221,000	297,434	208,292
26.0	Supplies and materials	623,289	615,639	603,390	542,936
31.0	Equipment	236,371	210,000	208,400	167,530
99.9	Total obligations	3,222,374	2,895,524	2,997,663	2,452,536

## Personnel Summary

Total number of full-time permanent positions	56,044	55,202	54,102	44,070
Total compensable workyears:				
Full-time equivalent employment	59,760	57,064	54,457	44,114
Full-time equivalent of overtime and holiday hours	3,172	3,206	3,047	2,657

## NAVY INDUSTRIAL FUND

## Program and Financing (in thousands of dollars)

Identification code	17-4912-0-4-051	1986 actual	1987 est.	1988 est.	1989 est.
<b>Program by activities:</b>					
01.01	Printing	220,886	218,100	230,400	226,300
01.02	Ordnance	1,488,315	1,326,000	1,222,900	1,256,900
01.03	Shipyards	3,856,528	3,648,600	3,492,100	3,639,800
01.04	Military Sealift Command	1,287,242	1,908,600	1,756,700	1,814,300
01.05	Research	4,418,950	3,455,776	3,502,600	3,204,896
01.06	Base services	1,090,554	1,146,600	1,140,000	1,138,900
01.07	Aircraft maintenance facilities	1,829,052	1,836,900	1,870,600	1,798,100
01.08	Data services	202,572	190,500	199,600	208,700
01.10	Direct loan program (FFB)	568,111			
10.00	Total obligations	14,962,210	13,731,076	13,414,900	13,287,896
<b>Financing:</b>					
Offsetting collections from:					
11.00	Federal funds	-13,750,341	-11,910,611	-13,385,502	-11,799,178
13.00	Trust funds	22,097	-58,178	-104,649	-109,581
14.00	Non-Federal sources	-186,637	-212,056	-213,613	-227,806
21.98	Unobligated balance available, start of year: Fund balance	-3,581,447	-2,969,527	-1,252,496	-1,372,160
24.98	Unobligated balance available, end of year: Fund balance	2,969,527	1,252,496	1,372,160	42,629
31.00	Redemption of debt	132,702	166,800	169,200	178,200
67.10	<b>Budget authority (authority to borrow) (permanent, indefinite) (12 U.S.C. 2281-96)</b>	568,111			
Relation of obligations to outlays:					
71.00	Obligations incurred, net	1,047,329	1,550,231	-288,864	1,151,331
72.10	Receivables in excess of obligations, start of year	-2,256,576	-1,021,462	-64,831	-184,495
74.10	Receivables in excess of obligations, end of year	1,021,462	64,831	184,495	
74.98	Obligated balance, end of year: Fund balance				-1,145,036
90.00	Outlays	-187,785	593,600	-169,200	-178,200

## Status of Direct Loans (in thousands of dollars)

<b>Position with respect to appropriations act limitation on obligations:</b>					
1111	Limitation on direct loans to the public				
1131	Obligations exempt from limitation: Direct loans to the public	568,111			
1150	Total direct loan obligations	568,111			
<b>Cumulative balance of direct loans outstanding:</b>					
1210	Outstanding, start of year	1,313,066	1,748,475	1,581,675	1,412,475
1231	Disbursements: Direct loan disbursements	568,111			
1251	Repayments: Repayments and prepayments	-132,702	-166,800	-169,200	-178,200
1291	Outstanding, end of year	1,748,475	1,581,475	1,412,475	1,234,275

## Object Classification (in thousands of dollars)

Identification code	17-4912-0-4-051	1986 actual	1987 est.	1988 est.	1989 est.
<b>Personnel compensation:</b>					
11.1	Full-time permanent	4,628,848	4,648,037	4,666,315	4,537,906
11.3	Other than full-time permanent	173,163	186,746	191,033	189,736
11.5	Other personnel compensation	436,209	447,032	422,891	413,122
11.8	Special personal services payments	10,990	3,917	4,083	4,172
11.9	Total personnel compensation	5,249,210	5,285,732	5,284,322	5,144,936
12.1	Personnel benefits: Civilian	630,587	717,559	962,197	969,303
13.0	Benefits for former personnel	334	4,709	5,520	4,220
21.0	Travel and transportation of persons	216,477	232,036	230,728	219,645
22.0	Transportation of things	24,233	25,717	25,866	25,078
23.1	Rental payments to GSA	3,740	4,481	4,848	4,741
23.2	Rental payments to others	135,264	103,573	96,184	91,435
23.3	Communications, utilities, and miscellaneous charges	584,325	666,795	667,163	637,757
24.0	Printing and reproduction	134,249	130,013	132,483	125,343
25.0	Other services: Other	4,692,812	4,786,593	3,289,207	3,372,418
26.0	Supplies and materials	2,346,202	1,284,919	2,164,592	2,121,279



## Intragovernmental funds—Continued

## NAVY INDUSTRIAL FUND—Continued

## Object Classification (in thousands of dollars)—Continued

Identification code	17-4912-0-4-051	1986 actual	1987 est.	1988 est.	1989 est.
31.0	Equipment.....	376,666	488,949	551,790	571,741
33.0	Investments and loans.....	568,111			
99.9	Total obligations.....	14,962,210	13,731,076	13,414,900	13,287,896

## Personnel Summary

Total number of full-time permanent positions.....	166,272	165,100	161,310	154,670
Total compensable workyears:				
Full-time equivalent employment.....	182,068	179,149	174,640	166,768
Full-time equivalent of overtime and holiday hours.....	11,966	10,850	10,587	10,390

## MARINE CORPS INDUSTRIAL FUND

## Program and Financing (in thousands of dollars)

Identification code	17-4914-0-4-051	1986 actual	1987 est.	1988 est.	1989 est.
<b>Program by activities:</b>					
10.00	Depot maintenance activities—Total obligations.....	103,878	114,232	119,273	118,871
<b>Financing:</b>					
11.00	Offsetting collections from: Federal funds.....	-90,261	-109,006	-113,901	-116,152
21.98	Unobligated balance available, start of year: Fund balance.....	-63,675	-50,058	-44,832	-39,460
24.98	Unobligated balance available, end of year: Fund balance.....	50,058	44,832	39,460	36,741
39.00	Budget authority.....				
<b>Relation of obligations to outlays:</b>					
71.00	Obligations incurred, net.....	13,617	5,226	5,372	2,719
72.10	Receivables in excess of obligations, start of year.....	-46,596	-39,417	-34,191	-28,819
74.10	Receivables in excess of obligations, end of year.....	39,417	34,191	28,819	26,100
90.00	Outlays.....	6,439			

## Object Classification (in thousands of dollars)

Identification code	17-4914-0-4-051	1986 actual	1987 est.	1988 est.	1989 est.
<b>Personnel compensation:</b>					
11.1	Full-time permanent.....	38,150	40,740	41,843	42,672
11.3	Other than full-time permanent.....	1,514	1,151	1,181	1,204
11.5	Other personnel compensation.....	6,090	3,553	3,634	3,697
11.9	Total personnel compensation.....	45,754	45,444	46,658	47,573
12.1	Personnel benefits: Civilian.....	5,918	7,042	9,372	9,868
21.0	Travel and transportation of persons.....	771	1,207	1,308	1,318
23.2	Rental payments to others.....	3,284	24	24	25
23.3	Communications, utilities, and miscellaneous charges.....		3,287	3,295	3,328
24.0	Printing and reproduction.....	72	104	104	103
25.0	Other services: Other.....	12,305	12,610	12,371	9,943
26.0	Supplies and materials.....	33,627	40,089	41,453	41,700
31.0	Equipment.....	2,147	4,425	4,688	5,013
99.9	Total obligations.....	103,878	114,232	119,273	118,871

## Personnel Summary

Total number of full-time permanent positions.....	1,624	1,744	1,744	1,744
Total compensable workyears:				
Full-time equivalent employment.....	1,713	1,776	1,776	1,776
Full-time equivalent of overtime and holiday hours.....	190	109	110	111

## AIR FORCE INDUSTRIAL FUND

## Program and Financing (in thousands of dollars)

Identification code	57-4922-0-4-051	1986 actual	1987 est.	1988 est.	1989 est.
<b>Program by activities:</b>					
01.02	Laundry and drycleaning.....	5,100	5,555	6,357	6,528
01.03	Military airlift command.....	1,989,124	1,835,990	1,554,660	1,626,276
01.04	San Antonio real property maintenance agency.....	202,004	223,071	227,906	236,664
01.05	Depot maintenance.....	3,789,591	3,944,513	4,201,563	4,150,457
10.00	Total obligations.....	5,985,819	6,009,129	5,990,486	6,019,925
<b>Financing:</b>					
<b>Offsetting collections from:</b>					
11.00	Federal funds.....	-5,724,679	-6,011,945	-5,824,171	-5,701,993
13.00	Trust funds.....	-61,923	-41,267	-39,593	-46,739
14.00	Non-Federal sources.....	-18,168	-44,554	-46,242	-53,148
21.98	Unobligated balance available, start of year: Fund balance.....	-399,056	-218,007	-306,644	-226,164
24.98	Unobligated balance available, end of year: Fund balance.....	218,007	306,644	226,164	8,119
39.00	Budget authority.....				
<b>Relation of obligations to outlays:</b>					
71.00	Obligations incurred, net.....	181,049	-88,637	80,480	218,045
72.98	Obligated balance start of year: Fund balance.....	288,492	577,448	488,811	569,291
74.98	Obligated balance, end of year: Fund balance.....	-577,448	-488,811	-569,291	-787,336
90.00	Outlays.....	-107,907			

## Object Classification (in thousands of dollars)

Identification code	57-4922-0-4-051	1986 actual	1987 est.	1988 est.	1989 est.
<b>Personnel compensation:</b>					
11.1	Full-time permanent.....	1,017,589	1,021,552	1,014,660	1,019,562
11.3	Other than full-time permanent.....	11,972	12,018	11,937	11,995
11.5	Other personnel compensation.....	17,957	18,027	17,906	17,992
11.9	Total personnel compensation.....	1,047,518	1,051,597	1,044,503	1,049,549
12.1	Personnel benefits: Civilian.....	119,716	120,183	119,372	119,949
21.0	Travel and transportation of persons.....	53,872	54,082	53,717	53,977
22.0	Transportation of things.....	1,796	1,803	1,791	1,799
23.3	Communications, utilities, and miscellaneous charges.....	119,716	120,183	119,372	119,949
24.0	Printing and reproduction.....	1,796	1,803	1,791	1,799
<b>Other services:</b>					
25.0	Payments to foreign national indirect hire personnel.....	5,986	6,009	5,969	5,997
25.0	Contracts.....	2,154,895	2,163,286	2,148,691	2,159,073
26.0	Supplies and materials.....	2,420,666	2,430,092	2,435,594	2,447,859
31.0	Equipment.....	59,858	60,091	59,686	59,974
99.9	Total obligations.....	5,985,819	6,009,129	5,990,486	6,019,925

## Personnel Summary

Total number of full-time permanent positions.....	45,197	41,506	41,485	41,398
Total compensable workyears:				
Full-time equivalent employment.....	46,519	47,473	46,031	44,998
Full-time equivalent of overtime and holiday hours.....	2,239	2,217	1,971	2,048

## DEFENSE INDUSTRIAL FUND

## Program and Financing (in thousands of dollars)

Identification code	97-4962-0-4-051	1986 actual	1987 est.	1988 est.	1989 est.
<b>Program by activities:</b>					
01.01	Clothing and textile center.....	40,998	42,421	39,632	38,152
01.02	Communication services.....	1,230,481	1,166,140	1,225,341	1,325,832
10.00	Total obligations.....	1,271,479	1,208,561	1,264,973	1,363,984
<b>Financing:</b>					
<b>Offsetting collections from:</b>					
11.00	Federal funds.....	-1,163,820	-1,195,100	-1,254,271	-1,354,632



14.00	Non-Federal sources .....	- 872	- 1,010	- 1,080	- 1,210
21.98	Unobligated balance available, start of year: Fund balance .....	- 143,689	- 36,902	- 24,451	- 14,829
24.98	Unobligated balance available, end of year: Fund balance .....	36,902	24,451	14,829	6,687
39.00	<b>Budget authority</b> .....				
Relation of obligations to outlays:					
71.00	Obligations incurred, net .....	106,787	12,451	9,622	8,142
72.98	Obligated balance, start of year: Fund balance .....	118,846	84,921	97,372	106,994
74.98	Obligated balance, end of year: Fund balance .....	- 84,921	- 97,372	- 106,994	- 115,136
90.00	Outlays .....	140,713			

**Object Classification (in thousands of dollars)**

Identification code 97-4962-0-4-051	1986 actual	1987 est.	1988 est.	1989 est.
Personnel compensation:				
11.1 Full-time permanent .....	5,949	7,156	7,405	7,630
11.5 Other personnel compensation .....	102	73	75	77
11.9 Total personnel compensation .....	6,051	7,229	7,480	7,707
12.1 Personnel benefits: Civilian .....	653	811	846	871
21.0 Travel and transportation of persons .....	429	440	515	530
22.0 Transportation of things .....	14	3	10	400
23.2 Rental payments to others .....	38,024	459	2,641	2,602
23.3 Communications, utilities, and miscellaneous charges .....	1,219,155	1,116,890	1,188,391	1,279,630
24.0 Printing and reproduction .....	12	46	51	55
Other services:				
25.0 Payments to foreign national indirect hire personnel .....	219	264	274	285
25.0 Other .....	3,085	1,327	531	
26.0 Supplies and materials .....	242	330	343	354
31.0 Equipment .....	3,595	80,762	63,891	71,550
99.9 Total obligations .....	1,271,479	1,208,561	1,264,973	1,363,984

**Personnel Summary**

Total number of full-time permanent positions .....	1,850	1,804	1,648	1,535
Total compensable workyears:				
Full-time equivalent employment .....	1,820	1,956	1,775	1,653
Full-time equivalent of overtime and holiday hours .....	78	69	57	57

**MANAGEMENT FUNDS**

These funds were created to simplify the financing and accounting for operations supported by 2 or more appropriations. The corpus of each fund consists of \$1 million except for the ADP Equipment Management Fund which was established in 1986 with a corpus of \$100 million.

**ADP EQUIPMENT MANAGEMENT FUND****Program and Financing (in thousands of dollars)**

Identification code 97-3910-0-4-051	1986 actual	1987 est.	1988 est.	1989 est.
<b>Financing:</b>				
21.98 Unobligated balance available, start of year: Fund balance .....		- 75,145	- 75,145	- 75,145
24.98 Unobligated balance available, end of year: Fund balance .....	75,145	75,145	75,145	75,145
39.00 <b>Budget authority</b> .....	75,145			
<b>Budget authority:</b>				
40.00 Appropriation .....	100,000			
41.00 Transferred to other accounts .....	- 24,855			
43.00 <b>Appropriation (adjusted)</b> .....	75,145			

Relation of obligations to outlays:				
71.00 Obligations incurred, net .....				
90.00 Outlays .....				

**ARMY MANAGEMENT FUND****Program and Financing (in thousands of dollars)**

Identification code 21-3970-0-4-051	1986 actual	1987 est.	1988 est.	1989 est.
<b>Program by activities:</b>				
10.00 Transportation services—Total obligations (object class 25.0) .....	498,943	3,000	3,000	1,500
<b>Financing:</b>				
11.00 Offsetting collections from: Federal funds .....	- 498,943	- 3,000	- 3,000	- 1,500
21.98 Unobligated balance available, start of year: Fund balance .....	- 1,000	- 1,000	- 1,000	- 1,000
24.98 Unobligated balance available, end of year: Fund balance .....	1,000	1,000	1,000	1,000
39.00 <b>Budget authority</b> .....				
Relation of obligations to outlays:				
71.00 Obligations incurred, net .....				
72.98 Obligated balance, start of year: Fund balance .....	42,106	20,637	20,637	20,637
74.98 Obligated balance, end of year: Fund balance .....	- 20,637	- 20,637	- 20,637	- 20,637
90.00 Outlays .....	21,470			

**NAVY MANAGEMENT FUND****Program and Financing (in thousands of dollars)**

Identification code 17-3980-0-4-051	1986 actual	1987 est.	1988 est.	1989 est.
<b>Program by activities:</b>				
10.00 Transportation of things—Total obligations (object class 22.0) .....	554,270	577,700	607,300	627,900
<b>Financing:</b>				
11.00 Offsetting collections from: Federal funds .....	- 554,270	- 577,700	- 607,300	- 627,900
21.98 Unobligated balance available, start of year: Fund balance .....	- 1,000	- 1,000	- 1,000	- 1,000
24.98 Unobligated balance available, end of year: Fund balance .....	1,000	1,000	1,000	1,000
39.00 <b>Budget authority</b> .....				
Relation of obligations to outlays:				
71.00 Obligations incurred, net .....				
72.98 Obligated balance, start of year: Fund balance .....	15,950	6,638	6,638	6,638
74.98 Obligated balance, end of year: Fund balance .....	- 6,638	- 6,638	- 6,638	- 6,638
90.00 Outlays .....	9,312			

**AIR FORCE MANAGEMENT FUND****Program and Financing (in thousands of dollars)**

Identification code 57-3960-0-4-051	1986 actual	1987 est.	1988 est.	1989 est.
<b>Financing:</b>				
21.98 Unobligated balance available, start of year: Fund balance .....	- 1,003	- 1,003	- 1,003	- 1,003
24.98 Unobligated balance available, end of year: Fund balance .....	1,003	1,003	1,003	1,003
39.00 <b>Budget authority</b> .....				
Relation of obligations to outlays:				
71.00 Obligations incurred, net .....				
90.00 Outlays .....				



## Intragovernmental funds—Continued

## ARMY CONVENTIONAL AMMUNITION WORKING CAPITAL FUND

## Program and Financing (in thousands of dollars)

Identification code 21-4528-0-4-051	1986 actual	1987 est.	1988 est.	1989 est.
<b>Program by activities:</b>				
01.01 Load, assemble and pack.....	1,277,363	1,519,000	1,304,300	1,243,600
01.02 Components.....	1,653,059	1,963,000	1,688,000	1,609,200
01.03 Quality assurance, proof and acceptance testing.....	30,056	35,700	30,700	29,300
01.04 Rework cost.....	45,083	51,300	46,000	43,900
10.00 Total obligations.....	3,005,561	3,569,000	3,069,000	2,926,000
<b>Financing:</b>				
Offsetting collections from:				
11.00 Federal funds.....	-3,030,172	-2,915,000	-2,854,000	-2,821,000
13.00 Trust funds.....	-47,748	-90,000	-100,000	-110,000
14.00 Non-Federal sources.....	-2,007			
21.98 Unobligated balance available, start of year: Fund balance.....	-679,969	-754,335	-190,335	-75,335
24.98 Unobligated balance available, end of year: Fund balance.....	754,335	190,335	75,335	80,335
39.00 Budget authority.....				
Relation of obligations to outlays:				
71.00 Obligations incurred, net.....	-74,366	564,000	115,000	-5,000
72.10 Receivables in excess of obligations, start of year.....	-353,685	-411,350		
72.98 Obligated balance, start of year: Fund balance.....			152,650	267,650
74.10 Receivables in excess of obligations, end of year.....	411,350			
74.98 Obligated balance, end of year: Fund balance.....		-152,650	-267,650	-262,650
90.00 Outlays.....	-16,702			

The Army conventional ammunition working capital fund was established to simplify the accounting system for procurement of conventional ammunition. It is used to procure ammunition for all the Services and other customers. It will provide for payment of load, assemble and pack (LAP) operations, component purchases for metal parts and explosive materials, quality assurance and rework effort.

## Object Classification (in thousands of dollars)

Identification code 21-4528-0-4-051	1986 actual	1987 est.	1988 est.	1989 est.
25.0 Other services: Other.....	160,542	109,000	94,000	89,000
26.0 Supplies and materials.....	2,845,019	3,460,000	2,975,000	2,837,000
99.9 Total obligations.....	3,005,561	3,569,000	3,069,000	2,926,000

## TRUST FUNDS

## DEPARTMENT OF THE ARMY TRUST FUNDS

## Program and Financing (in thousands of dollars)

Identification code 21-9971-0-7-051	1986 actual	1987 est.	1988 est.	1989 est.
<b>Program by activities:</b>				
10.00 Department of the Army general gift fund—Total obligations (object class 41.0).....	162	151	117	127
<b>Financing:</b>				
Unobligated balance available, start of year:				
21.40 Treasury balance.....	-396	-349	-302	-294
U.S. Securities:				
21.40 Purchase price.....	-457	-439	-455	-466
21.40 Unrealized discounts.....		-12	-12	-12
Unobligated balance available, end of year:				
24.40 Treasury balance.....	349	302	294	306

U.S. Securities:				
24.40 Purchase price.....	439	455	466	437
24.40 Unrealized discounts.....	12	12	12	12
60.00 Budget authority (appropriation) (permanent, indefinite).....	108	120	120	110
Relation of obligations to outlays:				
71.00 Obligations incurred, net.....	162	151	117	127
72.40 Obligated balance, start of year.....	44	14	65	82
74.40 Obligated balance, end of year.....	-14	-65	-82	-109
90.00 Outlays.....	192	100	100	106

This fund includes gifts and bequests limited to specific purposes by the donor such as the Evangeline G. Bovard, Cormack medal fund, Quartermaster Foundation, Inc., and the Henry C. McLean bequest. In addition, it accounts for gifts and bequests, not limited to specific use by the donor, which may be used for purposes as determined by the Secretary of the Army.

## DEPARTMENT OF THE NAVY TRUST FUNDS

## Program and Financing (in thousands of dollars)

Identification code 17-9972-0-7-051	1986 actual	1987 est.	1988 est.	1989 est.
<b>Program by activities:</b>				
02.12 Naval Academy general gift fund.....	387	415	410	410
02.13 Naval Academy Museum fund.....	199	195	190	190
02.14 Department of the Navy general gift fund.....	394	294	298	302
02.15 Ships' stores profits, Navy.....	22,846	23,700	22,900	23,000
02.16 Office of Naval Records and History fund.....		50	50	50
10.00 Total obligations.....	23,826	24,654	23,848	23,952
<b>Financing:</b>				
Unobligated balance available, start of year:				
21.40 Treasury balance.....	-5,461	-4,043	-2,969	-2,911
U.S. Securities:				
21.40 Purchase price.....	-4,827	-5,320	-5,420	-5,520
21.40 Unrealized discounts.....		-1	-1	-1
Unobligated balance available, end of year:				
24.40 Treasury balance.....	4,043	2,969	2,911	2,869
U.S. Securities:				
24.40 Purchase price.....	5,320	5,420	5,520	5,620
24.40 Unrealized discounts.....	1	1	1	1
60.00 Budget authority (appropriation) (permanent, indefinite).....	22,903	23,680	23,890	24,010
Relation of obligations to outlays:				
71.00 Obligations incurred, net.....	23,826	24,654	23,848	23,952
72.40 Obligated balance, start of year.....	229	86	140	188
74.40 Obligated balance, end of year.....	-86	-140	-188	-240
90.00 Outlays.....	23,969	24,600	23,800	23,900
Distribution of budget authority by account:				
Naval Academy general gift fund.....	439	375	372	384
Naval Academy Museum fund.....	198	192	190	190
Department of the Navy general gift fund.....	571	368	370	378
Ships' stores profits, Navy.....	21,653	22,700	22,900	23,000
Office of Naval Records and History fund.....	42	45	58	58
Distribution of outlays by account:				
Naval Academy general gift fund.....	414	400	400	400
Naval Academy Museum fund.....	192	200	190	190
Department of the Navy general gift fund.....	451	260	280	280
Ships' stores profits, Navy.....	22,846	23,700	22,900	23,000
Office of Naval Records and History fund.....	66	40	30	30

**Gift funds.**—These activities consist primarily of contributions from individuals subject to conditions specified by the donor for the benefit of the Naval Academy, the Naval Academy Museum, and other institutions of the Navy.

**Ships' stores profits, Navy.**—Profits earned in the operation of ships' stores are expended at the discretion of



the Secretary of the Navy for the amusement, comfort, contentment, and welfare of officers and enlisted personnel on ships or outside the United States.

**Office of Naval Records and History fund.**—This fund represents gifts of money for the benefit of the Office of Naval Records and History, Navy Department, and royalties received from sale of histories of U.S. Naval Operations.

## Object Classification (in thousands of dollars)

Identification code 17-9972-0-7-051	1986 actual	1987 est.	1988 est.	1989 est.
24.0 Printing and reproduction .....	55	64	67	67
25.0 Other services: Other .....	328	266	255	255
26.0 Supplies and materials .....	251	306	305	309
31.0 Equipment .....	1,640	1,764	1,827	1,889
41.0 Grants, subsidies, and contributions .....	21,552	22,254	21,394	21,432
99.9 Total obligations .....	23,826	24,654	23,848	23,952

## DEPARTMENT OF THE AIR FORCE GENERAL GIFT FUND

## Program and Financing (in thousands of dollars)

Identification code 57-8928-0-7-051	1986 actual	1987 est.	1988 est.	1989 est.
<b>Program by activities:</b>				
10.00 Air Force Academy—total obligations (object class 31.0) .....	5,408	50	75	100
<b>Financing:</b>				
Unobligated balance available, start of year:				
21.40 Treasury balance .....	-65		-50	-65
U.S. Securities:				
21.40 Purchase price .....	-4,228	-603	-603	-603
21.40 Unrealized discounts .....		-109	-109	-109
Unobligated balance available, end of year:				
24.40 Treasury balance .....		50	65	45
U.S. Securities:				
24.40 Purchase price .....	603	603	603	603
24.40 Unrealized discounts .....	109	109	109	109
60.00 Budget authority (appropriation) (permanent, indefinite) .....	1,827	100	90	80
Relation of obligations to outlays:				
71.00 Obligations incurred, net .....	5,408	50	75	100
Obligated balance, start of year:				
72.40 Treasury balance .....	11	1,172		
72.40 U.S. securities (par) .....		2,204	1,326	401
Obligated balance, end of year:				
74.40 Treasury balance .....	-1,172			
74.40 U.S. securities (par) .....	-2,204	-1,326	-401	-301
90.00 Outlays .....	2,043	2,100	1,000	200

This fund is for gifts or bequests to the Air Force, some of which are limited to use for specific purposes by the donors.

## SURCHARGE COLLECTIONS, SALES OF COMMISSARY STORES, ARMY

## Program and Financing (in thousands of dollars)

Identification code 21-8420-0-8-051	1986 actual	1987 est.	1988 est.	1989 est.
<b>Program by activities:</b>				
10.00 Operation of commissary stores—Total obligations .....	105,749	104,353	90,495	87,572
<b>Financing:</b>				
Offsetting collections from: Non-Federal sources .....				
14.00 .....	-86,970	-83,893	-86,755	-89,572
Unobligated balance available, start of year: Fund balance .....				
21.98 .....	-57,039	-38,260	-17,800	-14,060

24.98 Unobligated balance available, end of year: Fund balance .....	38,260	17,800	14,060	16,060
39.00 Budget authority .....				
Relation of obligations to outlays:				
71.00 Obligations incurred, net .....	18,779	20,460	3,740	-2,000
72.98 Obligated balance, start of year: Fund balance .....	101,355	122,522	127,982	129,622
74.98 Obligated balance, end of year: Fund balance .....	-122,522	-127,982	-129,622	-125,522
90.00 Outlays .....	-2,389	15,000	2,100	2,100

This fund was established to reimburse certain appropriations for payments made on behalf of commissary stores of the Department of the Army for operating equipment and supplies, such as utilities, laundry services, and inventory losses, in accordance with the annual Department of Defense Appropriation Act. Surcharge funds are also utilized for both minor and major construction of commissaries.

## Object Classification (in thousands of dollars)

Identification code 21-8420-0-8-051	1986 actual	1987 est.	1988 est.	1989 est.
22.0 Transportation of things .....	22	25	30	35
23.3 Communications, utilities, and miscellaneous charges .....	9,219	10,545	10,900	11,100
25.0 Other services: Other .....	72,816	69,860	56,165	53,137
26.0 Supplies and materials .....	15,110	15,523	15,400	15,600
31.0 Equipment .....	8,582	8,400	8,000	7,700
99.9 Total obligations .....	105,749	104,353	90,495	87,572

## DEPARTMENT OF THE NAVY TRUST REVOLVING FUNDS

## Program and Financing (in thousands of dollars)

Identification code 17-9981-0-8-051	1986 actual	1987 est.	1988 est.	1989 est.
<b>Program by activities:</b>				
02.22 Midshipmen's store, U.S. Naval Academy .....	22,265	17,697	17,933	18,463
02.23 Surcharge collections, sales of commissary stores, Navy .....	39,178	48,300	51,100	53,600
02.24 Surcharge collections, sales of commissary stores, Marine Corps .....	8,307	10,300	10,500	10,700
10.00 Total obligations .....	69,750	76,297	79,533	82,763
<b>Financing:</b>				
14.00 Offsetting collections from: Non-Federal sources .....				
21.98 Unobligated balance available, start of year: Fund balance .....	-21,873	-20,179	-15,033	-9,922
24.98 Unobligated balance available, end of year: Fund balance .....	20,179	15,033	9,922	4,225
39.00 Budget authority .....				
Relation of obligations to outlays:				
71.00 Obligations incurred, net .....	1,694	5,146	5,111	5,697
72.98 Obligated balance, start of year: Fund balance .....	29,201	33,825	36,871	39,882
74.98 Obligated balance, end of year: Fund balance .....	-33,825	-36,871	-39,882	-43,479
90.00 Outlays .....	-2,930	2,100	2,100	2,100
Distribution of outlays by account:				
Midshipmen's store, U.S. Naval Academy .....	656			
Surcharge collections, sales of commissary stores, Navy .....	-511	2,100	2,100	2,100
Surcharge collections, sales of commissary stores, Marine Corps .....	-3,075			

The midshipmen's store is operated to: (1) Procure clothing and other necessary supplies for the midshipmen, (2) provide barber, cobbler, and tailor shop facilities.



## Intragovernmental funds—Continued

## DEPARTMENT OF THE NAVY TRUST REVOLVING FUNDS—Continued

ties for the midshipmen, and (3) operate the dairy farm at the Naval Academy. Funds collected from the above-mentioned operations are deposited in the Treasury and are available for operating expenses of such activities and any other expenditures as the Superintendent of the Naval Academy considers necessary for the interest of the health, comfort, and education of the midshipmen.

**Surcharge collections, sales of commissary stores, Navy and Marine Corps.**—These funds finance procurement of operating supplies, utility expenses, inventory losses, equipment, and facility construction and renovation.

Object Classification (in thousands of dollars)					
Identification code	17-9981-0-8-051	1986 actual	1987 est.	1988 est.	1989 est.
22.0	Transportation of things .....	912	899	900	903
23.2	Rental payments to others .....	116	120	122	126
23.3	Communications, utilities, and miscellaneous charges .....	10,591	11,200	11,700	12,600
25.0	Other services: Other .....	10,411	15,759	16,256	17,174
26.0	Supplies and materials .....	24,670	18,258	18,978	20,148
31.0	Equipment .....	8,931	9,260	9,766	9,880
32.0	Lands and structures .....	10,877	20,125	21,128	21,234
33.0	Investments and loans .....	3,062	501	508	523
41.0	Grants, subsidies, and contributions .....	180	175	175	175
99.9	Total obligations .....	69,750	76,297	79,533	82,763

## DEPARTMENT OF THE AIR FORCE TRUST REVOLVING FUNDS

## Program and Financing (in thousands of dollars)

Identification code	57-9982-0-8-051	1986 actual	1987 est.	1988 est.	1989 est.
<b>Program by activities:</b>					
02.25	Surcharge collections, sales of commissary stores, Air Force	91,641	87,900	90,900	110,200
02.26	Air Force cadet fund	41,714	42,965	43,824	44,700
10.00	Total obligations	133,355	130,865	134,724	154,900
<b>Financing:</b>					
14.00	Offsetting collections from: Non-Federal sources	-154,880	-151,184	-151,550	-155,300
21.98	Unobligated balance available, start of year: Fund balance	-2,212	-4,463	-6,782	-6,508
24.98	Unobligated balance available, end of year: Fund balance	4,463	6,782	6,508	6,908
32.49	Balance of contract authority withdrawn	19,274	18,000	17,100	
39.00	<b>Budget authority</b>				
<b>Relation of obligations to outlays:</b>					
71.00	Obligations incurred, net	-21,525	-20,319	-16,826	-400
<b>Obligated balance, start of year:</b>					
72.49	Contract authority	79,486	60,212	42,212	25,112
72.98	Fund balance	87,250	52,040	26,821	4,195
<b>Obligated balance, end of year:</b>					
74.10	Receivables in excess of obligations, end of year				5,805
74.49	Contract authority	-60,212	-42,212	-25,112	-25,112
74.98	Fund balance	-52,040	-26,821	-4,195	
90.00	Outlays	32,960	22,900	22,900	9,600
<b>Distribution of outlays by account:</b>					
	Surcharge collections, sales of commissary stores, Air Force	33,756	23,300	23,300	10,000
	Air Force cadet fund	-796	-400	-400	-400

**Surcharge collections, sales of commissary stores.**—This fund was established to reimburse appropriations for payments made on behalf of commissary stores of the Department of the Air Force for operating equip-

ment and supplies such as utilities, laundry services, and inventory losses, in accordance with the annual Department of Defense Appropriation Act. Surcharge funds are also utilized for both minor and major construction of commissaries.

**Air Force cadet fund.**—The cadet fund is maintained at the U.S. Air Force Academy, Colorado Springs, Colo. Cadet pay is deposited directly into the account and disbursements are made from it for cadet credit charges for uniforms and other clothing, cash payments to cadets, transportation, and sundry other items of personal maintenance.

## STATUS OF UNFUNDED CONTRACT AUTHORITY

(In thousands of dollars)				
	1986 actual	1987 est.	1988 est.	1989 est.
Unfunded balance, start of year	79,486	60,212	42,212	25,112
Balance of contract authority withdrawn	-19,274	-18,000	-17,100	
Unfunded balance, end of year	60,212	42,212	25,112	25,112

## Object Classification (in thousands of dollars)

Identification code	57-9982-0-8-051	1986 actual	1987 est.	1988 est.	1989 est.
22.0	Transportation of things	147	145	148	150
23.3	Communications, utilities, and miscellaneous charges	16,065	16,000	16,220	16,220
25.0	Other services: Other	11,730	10,455	10,665	18,720
26.0	Supplies and materials	19,730	21,300	21,867	15,110
31.0	Equipment	8,797	9,000	10,000	11,000
32.0	Lands and structures	35,172	31,000	32,000	49,000
44.0	Refunds	41,714	42,965	43,824	44,700
99.9	Total obligations	133,355	130,865	134,724	154,900

## ADMINISTRATIVE PROVISION

Notwithstanding any other provision of law, all purchases, leases, or other uses of military type equipment acquired from appropriations provided in this chapter shall be procured under existing procedures established by the Department of Defense. (*Omnibus Drug Supplemental Appropriations Act of 1987, as included in Public Laws 99-500 and 99-591, Title II.*)

## GENERAL PROVISIONS

**SEC. 9001.** The expenditure of any appropriation under this Act for any consulting service through procurement contract, pursuant to section 3109 of title 5, United States Code, shall be limited to those contracts where such expenditures are a matter of public record and available for public inspection, except where otherwise provided under existing law, or under existing Executive order issued pursuant to existing law.

**SEC. [9002] 8001.** No part of any appropriation contained in this Act shall be used for publicity or propaganda purposes not authorized by the Congress.

**SEC. [9003] 8002.** During the current fiscal year and the following fiscal year, the Secretary of Defense and the Secretaries of the Army, Navy, and Air Force, respectively, if they should deem it advantageous to the national defense, and if in their opinions the existing facilities of the Department of Defense are inadequate, are authorized to procure services in accordance with section 3109 of title 5, United States Code, under regulations prescribed by the Secretary of Defense, and to pay in connection therewith travel expenses of individuals, including actual transportation and per diem in lieu of subsistence while traveling from their homes or places of business to official duty stations and return as may be authorized by law: *Provided*, That such contracts may be renewed annually.

**SEC. [9004] 8003.** During the current fiscal year and the following fiscal year, provisions of law prohibiting the payment of compensation to, or employment of, any person not a citizen of the United States shall not apply to personnel of the Department of Defense.

**SEC. [9005] 8004.** The Secretary of Defense and each purchasing and contracting agency of the Department of Defense shall assist



American small and minority-owned business to participate equitably in the furnishing of commodities and services financed with funds appropriated under this Act by increasing, to an optimum level, the resources and number of personnel jointly assigned to promoting both small and minority business involvement in purchases financed with funds appropriated herein, and by making available or causing to be made available to such businesses, information, as far in advance as possible, with respect to purchases proposed to be financed with funds appropriated under this Act, and by assisting small and minority business concerns to participate equitably as subcontractors on contracts financed with funds appropriated herein, and by otherwise advocating and providing small and minority business opportunities to participate in the furnishing of commodities and services financed with funds appropriated by this Act.

SEC. [9006] 8005. No part of any appropriation contained in this Act shall remain available for obligation beyond the current fiscal year or, in the case of advance appropriations, the following fiscal year, unless expressly so provided herein.

SEC. [9007] 8006. No part of the appropriations in this Act shall be available for any expense of operating aircraft under the jurisdiction of the armed forces for the purpose of proficiency flying, as defined in Department of Defense Directive 1340.4, except in accordance with regulations prescribed by the Secretary of Defense. Such regulations (1) may not require such flying except that required to maintain proficiency in anticipation of a member's assignment to combat operations and (2) such flying may not be permitted in cases of members who have been assigned to a course of instruction of ninety days or more.

SEC. [9008] 8007. No part of any appropriation contained in this Act shall be available for expense of transportation, packing, crating, temporary storage, drayage, and unpacking of household goods and personal effects in any one shipment having a net weight in excess of eighteen thousand pounds.

SEC. [9009] 8008. No more than 20 per centum of the appropriations in this Act which are limited for obligation during [the current] a single fiscal year shall be obligated during the last two months of [the] such fiscal year: *Provided*, That this section shall not apply to obligations for support of active duty training of civilian components or summer camp training of the Reserve Officers' Training Corps, or the National Board for the Promotion of Rifle Practice, Army, or to the appropriations provided in this Act for Claims, Defense.

SEC. [9010] 8009. During the current fiscal year and the following fiscal year the agencies of the Department of Defense may accept the use of real property from foreign countries for the United States in accordance with mutual defense agreements or occupational arrangements and may accept services furnished by foreign countries as reciprocal international courtesies or as services customarily made available without charge; and such agencies may use the same for the support of the United States forces in such areas without specific appropriation therefor.

In addition to the foregoing, agencies of the Department of Defense may accept real property, services, and commodities from foreign countries for the use of the United States in accordance with mutual defense agreements or occupational arrangements and such agencies may use the same for the support of the United States forces in such areas, without specific appropriations therefor: *Provided*, [That the foregoing authority shall not be available for the conversion of heating plants from coal to oil at defense facilities in Europe: *Provided further*,] That within thirty days after the end of each quarter the Secretary of Defense shall render to Congress and to the Office of Management and Budget a full report of such property, supplies, and commodities received during such quarter.

SEC. [9011] 8010. No part of any appropriation contained in this Act, except for small purchases in amounts not exceeding \$10,000 shall be available for the procurement of any article of food, clothing, cotton, woven silk or woven silk blends, spun silk yarn for cartridge cloth, synthetic fabric or coated synthetic fabric, or wool (whether in the form of fiber or yarn or contained in fabrics, materials, or manufactured articles), or specialty metals including stainless steel flatware, or hand or measuring tools, not grown, reprocessed, reused, or produced in the United States or its possessions, except to the extent that the Secretary of the Department concerned shall determine that satisfactory quality and sufficient quantity of any articles of food or clothing or any form of cotton, woven silk and woven silk blends, spun silk yarn for cartridge cloth, synthetic fabric or coated synthetic fabric, wool, or specialty metals including stainless steel flatware, grown, reprocessed, reused, or produced in the United States or its

possessions cannot be procured as and when needed at United States market prices and except procurements outside the United States in support of combat operations, procurements by vessels in foreign waters, and emergency procurements or procurements of perishable foods by establishments located outside the United States for the personnel attached thereto: *Provided*, That nothing herein shall preclude the procurement of specialty metals or chemical warfare protective clothing produced outside the United States or its possessions when such procurement is necessary to comply with agreements with foreign governments requiring the United States to purchase supplies from foreign sources for the purposes of offsetting sales made by the United States Government or United States firms under approved programs serving defense requirements or where such procurement is necessary in furtherance of the standardization and interoperability of equipment requirements within NATO so long as such agreements with foreign governments comply, where applicable, with the requirements of section 36 of the Arms Export Control Act and with section 2457 of title 10, United States Code: *Provided further*, That nothing herein shall preclude the procurement of foods manufactured or processed in the United States or its possessions: *Provided further*, That no funds herein appropriated shall be used for the payment of a price differential on contracts hereafter made for the purpose of relieving economic dislocations: *Provided further*, That none of the funds appropriated in this Act shall be used except that, so far as practicable, all contracts shall be awarded on a formally advertised competitive bid basis to the lowest responsible bidder.

SEC. [9012] 8011. During the current fiscal year and the following fiscal year, appropriations available to the Department of Defense for pay of civilian employees shall be available for uniforms, or allowances therefor, as authorized by section 5901 of title 5, United States Code.

SEC. [9013] 8012. Funds provided in this Act for legislative liaison activities of the Department of the Army, the Department of the Navy, the Department of the Air Force, and the Office of the Secretary of Defense shall not exceed [\$13,900,000] \$14,900,000 for the current fiscal year and, \$15,800,000 for the following fiscal year: *Provided*, That this amount shall be available for apportionment to the Department of the Army, the Department of the Navy, the Department of the Air Force, and the Office of the Secretary of Defense as determined by the Secretary of Defense: *Provided further*, That costs for military retired pay accrual shall be included within this limitation.

SEC. [9014] 8013. Of the funds made available by this Act for the services of the Military Airlift Command, \$100,000,000 during the current fiscal year and \$100,000,000 during the following fiscal year shall be available only for procurement of commercial transportation service from carriers participating in the civil reserve air fleet program; and the Secretary of Defense shall utilize the services of such carriers which qualify as small businesses to the fullest extent found practicable: *Provided*, That the Secretary of Defense shall specify in such procurement, performance characteristics for aircraft to be used based upon modern aircraft operated by the civil reserve air fleet.

SEC. [9015] 8014. Upon determination by the Secretary of Defense that such action is necessary in the national interest, he may, with the approval of the Office of Management and Budget, transfer not to exceed [\$1,100,000,000] \$1,500,000,000 during the current fiscal year and \$2,000,000,000 during the following fiscal year of working capital funds of the Department of Defense or funds [made] available [in this Act] to the Department of Defense for military functions (except military construction) between such appropriations or funds or any subdivision thereof, to be merged with and to be available for the same purposes, and for the same time period, as the appropriation or fund to which transferred: *Provided*, That such authority to transfer may not be used unless for higher priority items, based on unforeseen military requirements, than those for which originally appropriated and in no case where the item for which funds are requested has been denied by Congress: *Provided further*, That the Secretary of Defense shall notify the Congress promptly of all transfers made pursuant to this authority.

SEC. [9016] 8015. During the current fiscal year and the following fiscal year, cash balances in working capital funds of the Department of Defense established pursuant to section 2208 of title 10, United States Code, may be maintained in only such amounts as are necessary at any time for cash disbursements to be made from such funds: *Provided*, That transfers may be made between such funds in such amounts as may be determined by the Secretary of Defense, with the approval of the Office of Management and Budget, except that trans-



fers between a stock fund account and an industrial fund account may not be made unless the Secretary of Defense has notified the Congress of the proposed transfer. Except in amounts equal to the amounts appropriated to working capital funds in this Act, no obligations may be made against a working capital fund to procure war reserve material inventory, unless the Secretary of Defense has notified the Congress prior to any such obligation.

SEC. 9017. None of the funds available to the Department of Defense shall be utilized for the conversion of heating plants from coal to oil at defense facilities in Europe.]

SEC. 9018. 8016. No part of the funds in this Act shall be available to prepare or present a request to the Committees on Appropriations for reprogramming of funds, unless for higher priority items, based on unforeseen military requirements, than those for which originally appropriated and in no case where the item for which reprogramming is requested has been denied by the Congress.

SEC. 9019. 8017. None of the funds contained in this Act available for the Civilian Health and Medical Program of the Uniformed Services under the provisions for section 1079(a) of title 10, United States Code, shall be available for reimbursement of any physician or other authorized individual provider of medical care in excess of the eightieth percentile of the customary charges made for similar services in the same locality where the medical care was furnished, as determined for physicians in accordance with section 1079(h) of title 10, United States Code.

SEC. 9020. 8018. No appropriation contained in this Act may be used to pay for the cost of public affairs activities of the Department of Defense in excess of [\$43,900,000] \$48,500,000 during the current fiscal year and \$51,600,000 during the following fiscal year. *Provided*, That costs for military retired pay accrual shall be included within this limitation.

SEC. 9021. 8019. None of the funds provided in this Act shall be available for the planning or execution of programs which utilize amounts credited to Department of Defense appropriations or funds pursuant to the provisions of section 37(a) of the Arms Export Control Act representing payment for the actual value of defense articles specified in section 21(a)(1)(A) of that Act: *Provided*, That such amounts shall be credited to the Special Defense Acquisition Fund, as authorized by law, or, to the extent not so credited shall be deposited in the Treasury as miscellaneous receipts as provided in section 3302(b) of the title 31, United States Code.

SEC. 9022. 8020. No appropriation contained in this Act shall be available to fund any costs of a Senior Reserve Officers' Training Corps unit—except to complete training of personnel enrolled in Military Science 4—which in its junior year class (Military Science 3) has for the four preceding academic years, and as of September 30, 1983, enrolled less than (a) seventeen students where the institution prescribes a four-year or a combination four- and two-year program; or (b) twelve students where the institution prescribes a two-year program: *Provided*, That, notwithstanding the foregoing limitation, funds shall be available to maintain one Senior Reserve Officers' Training Corps unit in each State and at each State-operated maritime academy: *Provided further*, That units under the consortium system shall be considered as a single unit for purposes of evaluation of productivity under this provision: *Provided further*, That enrollment standards contained in Department of Defense Directive 1215.8 for Senior Reserve Officers' Training Corps units, as revised during fiscal year 1981, may be used to determine compliance with this provision, in lieu of the standards cited above.

SEC. 9023. 8021. None of the funds appropriated by this Act for programs of the Central Intelligence Agency shall remain available for obligation beyond the current fiscal year or, in the case of advance appropriations, the following fiscal year, except for funds appropriated for the Reserve for Contingencies, which shall remain available until September 30, [1988] 1989: *Provided*, That advance appropriations for the Reserve for Contingencies shall remain available until September 30, 1990.

SEC. 9024. 8022. None of the funds appropriated by this Act may be used to support more than 9,901 full-time and 2,603 part-time military personnel assigned to or used in the support of Morale, Welfare, and Recreation activities as described in Department of Defense Instruction 7000.12 and its enclosures, dated September 4, 1980.

SEC. 9025. 8023. All obligations incurred in anticipation of the appropriations and authority provided in this Act are hereby ratified and confirmed if otherwise in accordance with the provisions of this Act.

SEC. 9026. 8024. None of the funds appropriated by this Act or heretofore appropriated by any other Act shall be obligated or expended for the payment of anticipatory possession compensation claims to the Federal Republic of Germany other than claims listed in the 1973 agreement (commonly referred to as the Global Agreement) between the United States and the Federal Republic of Germany.

SEC. 9027. 8025. During the current fiscal year and the following fiscal year, the Department of Defense may enter into contracts to recover indebtedness to the United States pursuant to section 3718 of title 31, United States Code.

SEC. 9028. 8026. None of the funds appropriated by this Act shall be available for a contract for studies, analyses, or consulting services entered into without competition on the basis of an unsolicited proposal unless the head of the activity responsible for the procurement determines:

(a) as a result of thorough technical evaluation, only one source is found fully qualified to perform the proposed work, or

(b) the purpose of the contract is to explore an unsolicited proposal which offers significant scientific or technological promise, represents the product of original thinking, and was submitted in confidence by one source, or

(c) where the purpose of the contract is to take advantage of unique and significant industrial accomplishment by a specific concern, or to insure that a new product or idea of a specific concern is given financial support:

*Provided*, That this limitation shall not apply to contracts in an amount of less than \$25,000, contracts related to improvements of equipment that is in development or production, or contracts as to which a civilian official of the Department of Defense, who has been confirmed by the Senate, determines that the award of such contract is in the interest of the national defense.

SEC. 9029. 8027. None of the funds appropriated by this Act shall be available to provide medical care in the United States on an inpatient basis to foreign military and diplomatic personnel or their dependents unless the Department of Defense is reimbursed for the costs of providing such care: *Provided*, That reimbursements for medical care covered by this section shall be credited to the appropriations against which charges have been made for providing such care, except that inpatient medical care may be provided in the United States without cost to military personnel and their dependents from a foreign country if comparable care is made available to a comparable number of United States military personnel in that foreign country.

SEC. 9030. 8028. None of the funds appropriated by this Act shall be obligated for the second career training program authorized by Public Law 96-347.

SEC. 9031. 8029. None of the funds appropriated or otherwise made available in this Act shall be obligated or expended for salaries or expenses during the current fiscal year or the following fiscal year for the purposes of demilitarization of surplus nonautomatic firearms less than .50 caliber.

SEC. 9032. None of the funds provided in this Act shall be available to initiate (1) a multiyear contract that employs economic order quantity procurement in excess of \$20,000,000 in any one year of the contract or that includes an unfunded contingent liability in excess of \$20,000,000, or (2) a contract for advance procurement leading to a multiyear contract that employs economic order quantity procurement in excess of \$20,000,000 in any one year, unless the Committees on Appropriations and Armed Services of the Senate and House of Representatives have been notified at least thirty days in advance of the proposed contract award: *Provided*, That no part of any appropriation contained in this Act shall be available to initiate a multiyear contract for which the economic order quantity advance procurement is not funded at least to the limits of the Government's liability: *Provided further*, That no part of any appropriation contained in this Act shall be available to initiate multiyear procurement contracts for any systems or component thereof if the value of the multiyear contract would exceed \$500,000,000 unless specifically provided in this Act: *Provided further*, That the execution of multiyear authority shall require the use of a present value analysis to determine lowest cost compared to an annual procurement. Funds appropriated in title III of this Act may be used for multiyear procurement contracts as follows:

UH-60/EH-60 airframe;  
Patriot missile system;  
Stinger missile system; and  
Defense support program.]



Sec. [9033] 8030. None of the funds appropriated by this Act which are available for payment of travel allowances for per diem in lieu of subsistence to enlisted personnel shall be used to pay such an allowance to any enlisted member in an amount that is more than the amount of per diem in lieu of subsistence that the enlisted member is otherwise entitled to receive minus the basic allowance for subsistence, or pro rata portion of such allowance, that the enlisted member is entitled to receive during any day, or portion of a day, that the enlisted member is also entitled to be paid a per diem in lieu of subsistence.

Sec. [9034] 8031. None of the funds appropriated by this Act shall be available to approve a request for waiver of the costs otherwise required to be recovered under the provisions of section 21(e)(1)(C) of the Arms Export Control Act unless the Committees on Appropriations have been notified in advance of the proposed waiver.

[Sec. 9035. In the administration of the provisions of chapter 13 of title 38, United States Code, Michael J. Smith, pilot of the space shuttle, Challenger, shall be deemed to have held the grade of captain, United States Navy, at the time of his death on January 28, 1986, while so serving as pilot of such space shuttle.]

Sec. [9036. (a)] 8032. None of the funds in this Act may be used to transfer any article of military equipment or data related to the manufacture of such equipment to a foreign country prior to the approval in writing of such transfer by the Secretary of the military service involved.

[ (b) TECHNICAL DATA PACKAGES FOR PRODUCTION OF LARGE-CALIBER CANNON.—(1) Chapter 433 of title 10, United States Code, is amended by adding at the end the following new section:]

["§ 4542. Technical data packages for large-caliber cannon: prohibition on transfers to foreign countries; exception"]

["(a) GENERAL RULE.—Funds appropriated to the Department of Defense may not be used—

"(1) to transfer to a foreign country a technical data package for a defense item being manufactured or developed in an arsenal; or

"(2) to assist a foreign country in producing such a defense item.]

["(b) EXCEPTION.—The Secretary of the Army may use funds appropriated to the Department of Defense to transfer a technical data package, or to provide assistance, described in subsection (a) if—

"(1) the transfer or provision of assistance is to a friendly foreign country (as determined by the Secretary of Defense in consultation with the Secretary of State);

"(2) the Secretary of the Army determines that such action—  
"(A) would have a clear benefit to the preservation of the production base for the production of cannon at the arsenal concerned; and

"(B) would not transfer technology (including production techniques) considered unique to the arsenal concerned; and

"(3) the Secretary of Defense enters into an agreement with the country concerned described in subsection (c).]

["(c) COPRODUCTION AGREEMENTS.—An agreement under this subsection shall be in the form of a Government-to-Government Memorandum of Understanding and shall include provisions that—

"(1) prescribe the content of the technical data package or assistance to be transferred to the foreign country participating in the agreement;

"(2) require that production by the participating foreign country of the defense item to which the technical data package or assistance relates be shared with the arsenal concerned;

"(3) subject to such exceptions as may be approved under subsection (d), prohibit transfer by the participating foreign country to a third party or country of—

"(A) any defense article, technical data package, technology, or assistance provided by the United States under the agreement; and

"(B) any defense article produced by the participating foreign country under the agreement; and

"(4) require the Secretary of Defense to monitor compliance with the agreement and the participating foreign country to report periodically to the Secretary of Defense concerning the agreement.]

["(d) TRANSFERS TO THIRD PARTIES.—A transfer described in subsection (b)(3) may be made if—

"(1) the defense article, technical data package, or technology to be transferred is a product of a cooperative research and development program in which the United States and the participating foreign country were partners; or

"(2) the President—

"(A) complies with all requirements of section 3(d) of the Arms and Export Control Act (22 U.S.C. 2753(d)) with respect to such transfer; and

"(B) certifies to Congress before the transfer, that the transfer would provide a clear benefit to the production base of the United States for large-caliber cannon.]

["(e) NOTICE AND REPORTS TO CONGRESS.—(1) The Secretary of the Army shall submit to Congress a notice of each agreement entered into under this section.

"(2) The Secretary shall submit to Congress a semiannual report on the operation of this section and of agreements entered into under this section.]

["(f) ARSENAL DEFINED.—In this section, the term 'arsenal' means a Government-owned, Government-operated defense plant that manufactures large-caliber cannon."]

(2) The table of sections at the beginning of such chapter is amended by adding at the end the following new item:

"4542. Technical data packages for large-caliber cannon: prohibition on transfers to foreign countries; exception."]

[(c) EFFECTIVE DATE.—Section 4542 of title 10, United States Code, as added by subsection (b), shall apply with respect to funds appropriated for fiscal years after fiscal year 1986.]

Sec. [9037] 8033. None of the funds appropriated in this Act may be made available through transfer, reprogramming, or other means for any intelligence or special activity different from that previously justified to the Congress unless the Director of Central Intelligence or the Secretary of Defense has notified the House and Senate Appropriations Committees of the intent to make such funds available for such activity.

[Sec. 9038. None of the funds available to the Department of Defense during the current fiscal year shall be used by the Secretary of a military department to purchase coal or coke from foreign nations for use at United States defense facilities in Europe when coal from the United States is available.]

Sec. [9039] 8034. None of the funds available to the Department of Defense shall be available for the procurement of manual typewriters which were manufactured by facilities located within states which are Signatories to the Warsaw Pact.

[Sec. 9040. None of the funds appropriated by this Act may be used to appoint or compensate more than 39 individuals in the Department of Defense in positions in the Executive Schedule (as provided in sections 5312-5316 of title 5, United States Code).]

Sec. [9041] 8035. None of the funds appropriated by this Act shall be available to convert a position in support of the Army Reserve, Air Force Reserve, Army National Guard, and Air National Guard occupied by, or programmed to be occupied by, a (civilian) military technician to a position to be held by a person in an active Guard or Reserve status if that conversion would reduce the total number of positions occupied by, or programmed to be occupied by, (civilian) military technicians of the component concerned, below 67,557: *Provided*, That none of the funds appropriated by this Act shall be available to support more than 45,098 positions in support of the Army Reserve, Army National Guard or Air National Guard occupied by, or programmed to be occupied by, persons in an active Guard or Reserve status: *Provided further*, That none of the funds appropriated by this Act may be used to include (civilian) military technicians in computing civilian personnel ceilings, including statutory or administratively imposed ceilings, on activities in support of the Army Reserve, Air Force Reserve, Army National Guard or Air National Guard.

[Sec. 9042. (a) The provisions of section 138(c)(2) of title 10, United States Code, shall not apply with respect to fiscal year 1987 or with respect to the appropriation of funds for that year.]

[(b) During fiscal year 1987, the civilian personnel of the Department of Defense may not be managed on the basis of any end-strength, and the management of such personnel during that fiscal year shall not be subject to any constraint or limitation (known as an end-strength) on the number of such personnel who may be employed on the last day of such fiscal year.]

[(c) The fiscal year 1988 budget request for the Department of Defense as well as all justification material and other documentation supporting the fiscal year 1988 Department of Defense budget request shall be prepared and submitted to the Congress as if subsections (a) and (b) of this provision were effective with regard to fiscal year 1988.]



SEC. 9043. Notwithstanding any other provision of law, none of the funds made available by this Act shall be used by the Department to exceed, outside the fifty States of the United States and the District of Columbia, the aggregate civilian workyear totals in fiscal year 1986 for both direct hire and indirect hire employees including foreign national employees: *Provided*, That workyears shall be applied as defined in the Federal Personnel Manual Supplement 298-2, Book IV.]

SEC. [9044. Appropriations] 8036. During the current fiscal year and the following fiscal year, appropriations or funds available to the Department of Defense [during the current fiscal year] may be transferred to appropriations provided in this Act for research, development, test, and evaluation to the extent necessary to meet increased pay costs authorized by or pursuant to law, to be merged with and to be available for the same purposes, and the same time period, as the appropriation to which transferred.

SEC. 9045. None of the funds available to the Central Intelligence Agency, the Department of Defense, or any other agency or entity of the United States involved in intelligence activities may be obligated or expended during fiscal year 1987 to provide funds, materiel, or other assistance to the Nicaraguan democratic resistance unless in accordance with the terms and conditions specified by section 106 of the Intelligence Authorization Act for fiscal year 1987.]

SEC. 9046. The following funds are hereby rescinded from the following accounts in the specified amounts:

Aircraft procurement, Army, 1985/1987	\$15,600,000
Aircraft procurement, Army, 1986/1988	\$78,800,000
Missile procurement, Army, 1985/1987	\$32,800,000
Missile procurement, Army, 1986/1988	\$66,800,000
Procurement of weapons and tracked combat vehicles, Army, 1985/1987	\$25,100,000
Procurement of weapons and tracked combat vehicles, Army, 1986/1988	\$188,200,000
Procurement of ammunition, Army, 1985/1987	\$33,000,000
Procurement of ammunition, Army, 1986/1988	\$39,562,000
Other procurement, Army, 1985/1987	\$45,400,000
Other procurement, Army, 1986/1988	\$133,300,000
Aircraft procurement, Navy, 1985/1987	\$170,700,000
Aircraft procurement, Navy, 1986/1988	\$408,200,000
Weapons procurement, Navy, 1985/1987	\$59,500,000
Weapons procurement, Navy, 1986/1988	\$185,100,000
Shipbuilding and conversion, Navy, 1983/1987	\$338,500,000
Shipbuilding and conversion, Navy, 1984/1988	\$53,000,000
Shipbuilding and conversion, Navy, 1985/1989	\$141,100,000
Shipbuilding and conversion, Navy, 1986/1990	\$737,900,000
Other procurement, Navy, 1985/1987	\$18,434,000
Other procurement, Navy, 1986/1988	\$214,769,000
Procurement, Marine Corps, 1985/1987	\$7,100,000
Procurement, Marine Corps, 1986/1988	\$19,400,000
Aircraft procurement, Air Force, 1985/1987	\$513,300,000
Aircraft procurement, Air Force, 1986/1988	\$619,500,000
Missile procurement, Air Force, 1985/1987	\$41,600,000
Missile procurement, Air Force, 1986/1988	\$629,700,000
Other procurement, Air Force, 1985/1987	\$68,611,000
Other procurement, Air Force, 1986/1988	\$122,900,000
Research, development, test and evaluation, Army, 1986/1987	\$45,523,000
Research, development, test and evaluation, Navy, 1986/1987	\$54,878,000
Research, development, test and evaluation, Air Force, 1986/1987	\$167,000,000
Research, development, test and evaluation, Defense Agencies, 1986/1987	\$48,400,000
Director of developmental test and evaluation, Defense, 1986/1987	\$200,000]

SEC. [9047] 8037. In addition to any other transfer authority contained in this Act, amounts from working capital funds may be transferred to the Operation and Maintenance appropriations contained in this Act to be merged with and to be available for the same purposes and for the same time period as the appropriation to which transferred: *Provided*, That for the current fiscal year, such transfers shall not exceed [\$755,300,000] \$197,100,000 for Operation and Maintenance, Army; [\$2,341,400,000] \$89,000,000 for Operation and Maintenance, Navy; [\$29,200,000 for Operation and Maintenance, Marine Corps; \$1,864,100,000] and \$637,000,000 for Operation and Maintenance, Air Force; [\$40,600,000 for Operation and Maintenance, Defense Agencies; \$14,526,000 for Operation and Maintenance, Army Reserve; \$66,500,000 for Operation and Maintenance, Navy Reserve; \$800,000 for Operation and Maintenance, Marine Corps Reserve; \$63,000,000 for Operation and Maintenance, Air Force Reserve; \$31,874,000 for Operation and Maintenance, Army National Guard; and \$176,700,000 for Operation and Maintenance, Air National Guard]; *Provided further*, That for the following fiscal year, such transfers shall not exceed \$9,000,000 for Operation and Maintenance, Army; \$9,000,000 for Operation and Maintenance, Navy; \$9,000,000 for Operation and Maintenance, Air Force.

SEC. [9048] 8038. None of the funds made available by this Act shall be used in any way for the leasing to non-Federal agencies in the United States aircraft or vehicles owned or operated by the Department of Defense when suitable aircraft or vehicles are commercially available in the private sector: *Provided*, That nothing in this section shall affect authorized and established procedures for the sale of surplus aircraft or vehicles: *Provided further*, That nothing in this section shall prohibit the leasing of helicopters authorized by section 1463 of the Department of Defense Authorization Act of 1986.

SEC. [9049] 8039. None of the funds made available by this Act shall be used in any way, directly or indirectly, to influence congressional action on any legislation or appropriation matters pending before the Congress.

SEC. 9050. No funds available to the Department of Defense during the current fiscal year may be used to enter into any contract with a term of eighteen months or more or to extend or renew any contract for a term of eighteen months or more, for any vessel, aircraft or vehicles, through a lease, charter, or similar agreement without previously having been submitted to the Committees on Appropriations of the House of Representatives and the Senate in the budgetary process. Further, any contractual agreement which imposes an estimated termination liability (excluding the estimated value of the leased item at the time of termination) on the Government exceeding 50 per centum of the original purchase value of the vessel, aircraft, or vehicle must have specific authority in an appropriation Act for the obligation of 10 per centum of such termination liability.]

SEC. [9051] 8040. None of the funds made available by this Act shall be available to operate in excess of 247 commissaries in the contiguous United States.

SEC. [9052] 8041. None of the funds provided in this Act shall be used to procure aircraft ejection seats manufactured in any foreign nation that does not permit United States manufacturers to compete for ejection seat procurement requirements in that foreign nation. This limitation shall apply only to ejection seats procured for installation on aircraft produced or assembled in the United States.

SEC. 9053. No more than \$174,598,000 of the funds appropriated by this Act shall be available for the payment of unemployment compensation benefits.]

SEC. [9054] 8042. None of the funds appropriated by this Act shall be obligated for the pay of any individual who is initially employed after the date of enactment of this Act as a technician in the administration and training of the Army Reserve and the maintenance and repair of supplies issued to the Army Reserve unless such individual is also a military member of the Army Reserve troop program unit that he or she is employed to support. Those technicians employed by the Army Reserve in areas other than Army Reserve troop program units need only be members of the Selected Reserve.

SEC. [9055] 8043. None of the funds appropriated by this Act shall be used to purchase dogs or cats or otherwise fund the use of dogs or cats for the purpose of training Department of Defense students or other personnel in surgical or other medical treatment of wounds produced by any type of weapon: *Provided*, That the standards of such training with respect to the treatment of animals shall adhere to the Federal Animal Welfare Law and to those prevailing in the civilian medical community.

SEC. [9056] 8044. None of the funds made available by this Act shall be used to initiate full-scale engineering development of any major defense acquisition program until the Secretary of Defense has provided to the Committees on Appropriations of the House and Senate—

(a) a certification that the system or subsystem being developed will be procured in quantities that are not sufficient to warrant development of two or more production sources, or

(b) a plan for the development of two or more sources for the production of the system or subsystem being developed.

SEC. 9057. None of the funds available to the Department of Defense may be used for the floating storage of petroleum or petroleum products except in vessels of or belonging to the United States.]

SEC. 9058. Of the funds made available to the Department of the Air Force in this Act, not less than \$5,000,000 shall be available for the Civil Air Patrol.]

SEC. [9059] 8045. Funds available to the Department of Defense may be used by the Department of Defense for the use of helicopters and motorized equipment at Defense installations for removal of feral burros and horses.



Sec. [9060] 8046. Not to exceed \$100,000,000 during the current fiscal year and \$100,000,000 during the following fiscal year may be transferred from the appropriation "Operation and Maintenance, Defense Agencies" to operation and maintenance appropriations under the military departments in connection with demonstration projects authorized by section 1092 of title 10, United States Code: *Provided*, That the Secretary of Defense shall promptly notify the Congress of any such transfer of funds under this provision: *Provided further*, That the authority to make transfers pursuant to this section is in addition to the authority to make transfers under other provisions of this Act.

[Sec. 9061. None of the funds appropriated by this Act shall be available to compensate foreign selling costs as described in Federal Acquisition Regulation 31.205-38(b) as in effect on April 1, 1984.]

Sec. [9062. Of] 8047. Within the funds appropriated for the operation and maintenance of the Armed forces, [obligations may be incurred] funds are hereby appropriated pursuant to section 403(a) of title 10, United States Code for humanitarian and civic assistance costs [incidental to authorized operations, and these obligations shall be reported to Congress on September 30, 1987] under chapter 20 of title 10, United States Code: *Provided*, That funds available for operation and maintenance shall be available for providing humanitarian and similar assistance by using Civic Action Teams in the Trust Territories of the Pacific Islands and freely associated states of Micronesia, pursuant to the Compact of Free Association as authorized by Public Law 99-239.

Sec. [9063] 8048. Notwithstanding any other provision of law, the Secretaries of the Army and Air Force may authorize the retention in an active status until age sixty of any officer who would otherwise be removed from an active status and who is employed as a National Guard or Reserve technician in a position in which active status in a reserve component of the Army or Air Force is required as a condition of that employment.

[Sec. 9064. None of the funds appropriated by this Act may be obligated or expended for the purposes delineated in section 1002(e)(2) of the Department of Defense Authorization Act, 1985, without the prior notification to the Committees on Appropriations of the House of Representatives and the Senate.]

[Sec. 9065. It is the sense of the Congress that the Secretary of Defense should formulate and carry out a program under which contracts awarded by the Department of Defense in fiscal year 1987 would, to the maximum extent practicable and consistent with existing law, be awarded to contractors who agree to carry out such contracts in labor surplus areas (as defined and identified by the Department of Labor).]

Sec. [9066] 8049. It is the sense of the Congress that competition, which is necessary to enhance innovation, effectiveness, and efficiency, and which has served our Nation so well in other spheres of political and economic endeavor, should be expanded and increased in the provision of our national defense.

Sec. [9067] 8050. None of the funds appropriated by this Act shall be available to pay a dislocation allowance pursuant to section 407 of title 37, United States Code, in excess of one month's basic allowance for quarters.

[Sec. 9068. None of the funds available to the Department of Defense shall be obligated or expended to contract out any activity currently performed by the Defense Personnel Support Center in Philadelphia, Pennsylvania: *Provided*, That this provision shall not apply after notification to the Committees on Appropriations of the House of Representatives and the Senate of the results of the cost analysis of contracting out any such activity.]

[Sec. 9069. Notwithstanding any other provision of law, each contract awarded by the Department of Defense in fiscal year 1987 for construction or services to be performed in whole or in part in a State which is not contiguous with another State and has an unemployment rate in excess of the national average rate of unemployment as determined by the Secretary of Labor shall include a provision requiring the contractor to employ, for the purpose of performing that portion of the contract in such State that is not contiguous with another State, individuals who are residents of such State and who, in the case of any craft or trade, possess or would be able to acquire promptly the necessary skills: *Provided*, That the Secretary of Defense may waive the requirements of this section in the interest of national security.]

[Sec. 9070. None of the funds appropriated by this Act shall be used to make contributions to the Department of Defense Education Benefits Fund pursuant to section 2006(g) of title 10, United States Code, representing the normal cost for future benefits under section

1415(c) of title 38, United States Code, for any member of the armed services who, on or after the date of enactment of this Act, receives an enlistment bonus under section 308a or 308f of title 37, United States Code; nor shall any amounts representing the normal cost of such future benefits be transferred from the Fund by the Secretary of the Treasury to the Administrator of Veterans' Affairs pursuant to section 2006(d) of title 10, United States Code; nor shall the Administrator pay such benefits to any such member.]

[Sec. 9071. Notwithstanding any other provision of this Act, no funds appropriated by this Act shall be expended for the research, development, test, evaluation or procurement for integration of a nuclear warhead into the Joint Tactical Missile System (JTACMS).]

[Sec. 9072. So far as may be practicable, Indian labor shall be employed, and purchases of the products of Indian industry may be made in open market in the discretion of the Secretary of Defense: *Provided*, That the products must meet pre-set contract specifications.]

[Sec. 9073. Section 615 of S. 2638, as passed by the Senate on August 9, 1986, shall be deemed to be enacted into law as fully as if set forth herein: *Provided*, That the test authority provided for in section 618 of Public Law 99-145 and section 8083 of Public Law 99-190 shall remain in effect until such time as the system provided for in this section is implemented for both Department of Defense military and civilian employees.]

Sec. [9074] 8051. Notwithstanding any other provision of law, during [fiscal year 1987] the current fiscal year and the following fiscal year, the Department of Defense is to conduct a pilot test project of providing home health care to dependents entitled to health care under section 1076 of title 10, United States Code: *Provided*, That such care is medically necessary or appropriate, more cost effective than to continue paying for otherwise authorized CHAMPUS benefits in medical facilities, and the beneficiary is not covered for such care under any other public or private health insurance plan.

[Sec. 9075. Not more than \$2,506,389,000 of the funds appropriated by this Act may be expended for permanent change of station travel (including all expenses of such travel for organizational movements): *Provided*, That assignments for temporary duty may not be increased in order to circumvent this limitation: *Provided further*, That this limitation may be exceeded only upon a determination and notification to the Congress by the Secretary of Defense that such action is necessary to meet national security requirements.]

Sec. [9076] 8052. Funds appropriated in this Act shall be available for the payment of not more than 75 percent of the charges of a postsecondary educational institution for the tuition or expenses of an officer in the Ready Reserve of the Army National Guard or Army Reserve for education or training during his off-duty periods, except that no part of the charges may be paid unless the officer agrees to remain a member of the Ready Reserve for at least four years after completion of such training or education.

Sec. [9077] 8053. Notwithstanding any other provision of law, none of the funds appropriated by this Act shall be available to pay more than 50 percent of an amount paid to any person under section 308 of title 37, United States Code, in a lump sum.

[Sec. 9078. None of the funds appropriated by this Act shall be available to convert to contractor performance an activity or function of the Department of Defense that, on or after the date of enactment of this Act, is performed by more than ten Department of Defense civilian employees until a most efficient and cost-effective organization analysis is completed on such activity or function and certification of the analysis is made to the Committees on Appropriations of the House of Representatives and the Senate.]

Sec. [9079] 8054. Upon a determination by the Secretary of Defense that such action will result in a more economical acquisition of automatic data processing equipment, funds provided in this Act under one appropriation account for the lease or purchase of such equipment may be transferred through the Automatic Data Processing Equipment Management Fund to another appropriation account in this Act for the lease or purchase of automatic data processing equipment to be merged with and to be available for the same purposes, and for the same time period, as the appropriation to which transferred: *Provided*, That within thirty days after the end of each quarter the Secretary of Defense shall report transfers made under this section to the Committees on Appropriations of the Senate and the House of Representatives: *Provided further*, That the authority to transfer funds under this section shall be in addition to any other transfer authority contained in this Act.



SEC. [9080. Appropriations] 8055. During the current fiscal year and the following fiscal year, appropriations, available to the Department of Defense [during the current fiscal year] shall be available, under such regulations as the Secretary of Defense may deem appropriate, to exchange or furnish mapping, charting, and geodetic data, supplies or services to a foreign country pursuant to an agreement for the production or exchange of mapping, charting, and geodetic data.

[SEC. 9081. None of the funds appropriated in this Act may be obligated or expended for procurement of C-12 aircraft unless such aircraft are procured through competitive procedures (as defined in section 2302(2) of title 10, United States Code), which shall be restricted to turboprop aircraft.]

[SEC. 9082. None of the funds in this Act may be obligated for procurement of 120mm mortars or 120mm mortar ammunition manufactured outside of the United States: *Provided*, That this limitation shall not apply to procurement of such mortars or ammunition required for testing, evaluation, type classification or equipping the Army's Ninth Infantry Division (Motorized).]

SEC. [9083] 8056. Appropriations made available to the Department of Defense by this Act may be used at sites formerly used by the Department of Defense for removal of unsafe buildings or debris of the Department of Defense: *Provided*, That such removal must be completed before the property is released from Federal Government control, other than property conveyed to State or local government entities or native corporations.

[SEC. 9084. Within the funds made available under title II of this Act, the military departments may use such funds as necessary, but not to exceed \$4,700,000, to carry out the provisions of section 430 of title 37, United States Code.]

[SEC. 9085. None of the funds available to the Department of the Navy may be used to enter into any contract for the overhaul, repair, or maintenance of any naval vessel on the West Coast of the United States which includes charges for interport differential as an evaluation factor for award.]

SEC. [9086] 8057. Notwithstanding section 213(b) of the Joint Chiefs of Staff Reorganization Act of 1985 or any other provision of law, none of the funds in this or any other Act may be used to alter the command structure for military forces in Alaska.

[SEC. 9087. None of the funds appropriated in this Act may be obligated or expanded to carry out a program to paint any naval vessel with paint known as organotin or with any other paint containing the chemical compound tributyltin until such time as the Environmental Protection Agency certifies to the Department of Defense that whatever toxicity as generated by organotin paints as included in Navy specifications does not pose an unacceptable hazard to the marine environment: *Provided*, That the Navy may use these funds to paint aluminum-hulled craft as necessary, and, in addition, the Navy may paint no more than fifteen steel-hulled ships to conduct research as described in the "Navy Organotin Program Plan for Two Case Study Harbors".]

[SEC. 9088. No funds appropriated under this Act for the Strategic Defense Initiative Program shall be earmarked by any agency of the United States Government or any contractor exclusively for contracts with non-United States contractors, subcontractors, or vendors, or exclusively for consortia containing non-United States contractors, subcontractors, or vendors, prior to source selection in order to meet a specific quota or allocation of funds to any allied nation. Furthermore, it is the sense of the Congress that, whenever possible, the Secretary of Defense and others should attempt to award Strategic Defense Initiative contracts to United States contractors, subcontractors, and vendors unless such awards would degrade the likely results obtained from such contracts: *Provided*, That allied nations should be encouraged to participate in the Strategic Defense Initiative research effort on a competitive basis and be awarded contracts on the basis of technical merit.]

SEC. [9089] 8058. The Secretary of Defense may only procure ammunition containing a depleted uranium penetrator component if the procurement of such component is done competitively and procured from at least two sources in the existing production base for such component.

[SEC. 9090. None of the funds appropriated by this Act shall be used for the support of any nonappropriated fund activity of the Department of Defense that procures malt beverages and wine with nonappropriated funds for resale (including such alcoholic beverages sold by the drink) on a military installation located in the United States, unless such malt beverages and wine are procured in that

State, or in the case of the District of Columbia, within the District of Columbia, in which the military installation is located: *Provided*, That in a case in which a military installation is located in more than one State, purchases may be made in any State in which the installation is located: *Provided further*, That such local procurement requirements for malt beverages and wine shall apply to all alcoholic beverages for military installations in States which are not contiguous with another State: *Provided further*, That alcoholic beverages other than wine and malt beverages in contiguous States and the District of Columbia shall be procured from the most competitive source, price and other factors considered.]

SEC. [9091] 8059. Notwithstanding any other provision of law, funds available in this Act shall be available to the Defense Logistics Agency to grant civilian employees participating in productivity-based incentive award programs paid administrative time off in lieu of cash payment as compensation for increased productivity.

SEC. [9092] 8060. No later than [September 30, 1987, unobligated balances and appropriations made available to the Department of Defense for fiscal year 1983 that expired for obligation on September 30, 1985,] the end of the second fiscal year following the fiscal year for which appropriations for Procurement have been made available to the Department of Defense, unobligated balances of such appropriations provided for fiscal year 1984 and thereafter may be transferred into the appropriation "Foreign Currency Fluctuations, Defense" to be merged with and available for the same time period and the same purposes as the appropriation to which transferred: *Provided*, That any transfer made pursuant to any use of the authority provided by this provision shall be limited so that the amount in the appropriation "Foreign Currency Fluctuations, Defense" does not exceed \$970,000,000 at the time such a transfer is made.

[SEC. 9093. None of the funds appropriated in this Act to the Department of the Army may be obligated for depot maintenance of equipment unless such funds provide for civilian personnel strengths at the Army depots performing communications—electronics depot maintenance at an amount above the strengths assigned to those depots on September 30, 1985: *Provided*, That the foregoing limitations shall not apply to civilian personnel who perform caretaker-type functions at these installations: *Provided further*, That nothing in this provision shall cause undue reductions of other Army depots, as determined by the Secretary of the Army.]

[SEC. 9094. In addition to the amounts appropriated or otherwise made available in this Act, \$1,911,000,000 shall be available for military and civilian pay raises as authorized by law: *Provided*, That such amounts shall be transferred and merged with "Military Personnel" and "Operation and Maintenance" appropriations accounts as applicable and that such transfer authority shall be in addition to that provided elsewhere in this Act: *Provided further*, That such sums as may be necessary for authorized pay raise costs in excess of this appropriation shall be accommodated within the levels appropriated in this Act.]

[SEC. 9095. None of the funds appropriated by this Act shall be available to pay a variable housing allowance under section 403a of title 37, United States Code, with respect to an area at rates that are greater than the rates in effect for that area on August 1, 1986.]

[SEC. 9096. (a) None of the funds appropriated or made available by this Act shall be used to enter into a contract for the performance by contractor personnel of functions that on the date of enactment of this Act are performed by employees of the Department of Defense at the Crane Army Ammunition Activity, Crane, Indiana, or the McAlester Army Ammunition Plant, McAlester, Oklahoma.

(b) The prohibition in subsection (a) does not apply to a contract (or the renewal of a contract) for the performance of a function that on the date of the enactment of this Act is already under contract for performance by contractor personnel.]

[SEC. 9097. None of the funds appropriated by this Act shall be available to pay temporary lodging expenses pursuant to section 404a(a) of title 37, United States Code: *Provided*, That during fiscal year 1987, this provision shall not apply to those military personnel with dependents in grades E-4 and below.]

[SEC. 9098. None of the funds appropriated or made available by this Act may be obligated for acquisition of major automated information systems which have not successfully completed oversight reviews required by Defense Department regulations: *Provided*, That none of the funds appropriated or made available by this Act may be obligated on Composite Health Care System acquisition contracts if such contracts would cause the total life cycle cost estimate of



\$1,100,000,000 expressed in fiscal year 1986 constant dollars to be exceeded.]

[SEC. 9099. The Secretary of Defense shall take such action as may be necessary to implement at the earliest practicable date and with funds provided for such purpose by section 8110 of the Department of Defense Appropriations Act, 1986 (as contained in section 101(b) of Public Law 99-190; 99 Stat. 1222), the program proposed by the Department of Defense in a letter dated August 30, 1985, from the Assistant Secretary of Defense for Acquisition and Logistics to rehabilitate and convert current steam generating plants at defense facilities in the United States to coal burning facilities in order to achieve a coal consumption target of 1,600,000 short tons of coal per year (including at least 300,000 short tons of anthracite coal) above current consumption levels at Department of Defense facilities in the United States by fiscal year 1994: *Provided*, That such action shall be subject to the use of only the most cost effective fuel system in the construction of new plants or the conversion of existing plants: *Provided further*, That during fiscal year 1987, the amount of anthracite coal purchased by the Department shall be at least 300,000 short tons: *Provided further*, That the funds identified in section 8110 of Public Law 99-190 shall continue to be made available until expended to be used on a non-reimbursable basis for the administrative costs of this program.]

[SEC. 9100. Notwithstanding any other provision of law, the Department of Defense or the General Services Administration, whichever agency has jurisdiction, custody, and control shall convey at no cost real property described in "Department of the Army Final Report of Excess, NAN-85-3A, Hancock Field, New York," to Onondaga County, New York, for aviation and related industrial activities. This conveyance should be accomplished as soon as possible, but no later than ninety days after enactment of this Act.]

[SEC. 9101. No naval vessel or any vessel owned and operated by the Department of Defense homeported in the United States may be overhauled, repaired, or maintained in a foreign owned and operated shipyard located outside of the United States, except for voyage repairs.]

[SEC. 9102. After September 30, 1987, no appropriated funds may be used to support revenue generating Morale, Welfare and Recreation activities located in large metropolitan areas, as defined by Department of Defense regulations, of the fifty United States.]

[SEC. 9103. (1) Chapter 19 of title 37, United States Code, is amended by adding at end the following new section:]

["§ 1013. Payment date for pay and allowances]

["(a) Amounts of basic pay, basic allowance for quarters, basic allowance for subsistence, and other payments of military compensation (other than travel and transportation allowances and separation allowances) shall be paid on the first day of the month beginning after the month during which the right to such compensation accrues.]

["(b) Subsection (a) does not preclude one payment in midmonth for any element of compensation and does not affect any authority to make advance payments of pay and allowances."]

[(2) The table of sections at the beginning of such chapter is amended by adding at the end the following new item:

"1013. Payment date for pay and allowances."

[(3) Section 1466(a)(2) of title 10, United States Code, is amended by striking out "paid" and inserting in lieu thereof "accrued".]

[(4) Section 1013 of the title 37, United States Code, as added by subsection (a), and the amendment made by subsection (b) shall take effect on September 1, 1987.]

[SEC. 9104. For the current fiscal year, the minimum requirement for the amount of payments received in a fiscal year by working capital funds for industrial-type activities to be used for the acquisition of capital equipment for such activities shall be equal to the minimum required percentage for fiscal year 1986.]

[SEC. 9105. None of the funds appropriated under this or any other Act for the Department of Defense shall be available to make progress payments at a percentage higher than 5 percentage points below the rate in use on the effective date of this Act (except for contracts under solicitation before the effective date of this Act and except for shipbuilding, military construction and architect-engineering contracts if the Secretary of Defense certifies to Congress that an exclusion is justified for these activities) for (a) contracts which provide for progress payments based either on the percentage of work accomplished or on the contractors' costs under fixed-price type contracts and (b) modifications to existing contracts for additional supplies or services not contemplated by the existing contracts, unless a

higher percentage is approved by the head of the contracting activity or designee based on demonstrated financial need: *Provided*, That for solicitations issued after the effective date of this Act, which require price negotiation, contracts may only be awarded if such negotiation is based on new profit calculation procedures which provide for increased emphasis on facilities capital employed and contractor risk and which procedures do not provide an explicit fixed rate for working capital and which do not include profit based on specific individual elements of contract costs: *Provided further*, That no contractor may be reimbursed directly under a contract awarded 90 days after the effective date of this Act, where the purchase of additional quantities of like items is contemplated in subsequent years, for more than 50 percent of the full acquisition cost of production special tooling and production special test equipment as a direct cost unless (a) such special equipment is to be used solely for final production acceptance test or (b) additional reimbursement that is in the best interest of the Government is approved in advance by the Service Secretary for programs reported on Selected Acquisition Reports or approved by an Assistant Service Secretary for all other programs: *Provided further*, That the contract may provide that if such a contract is terminated for any reason that does not reflect a failure of the contractor to perform, the contractor shall be entitled to be paid by the United States for the cost of any special tooling and special test equipment which has not been fully amortized and the United States may elect to take title to such special tooling and special test equipment.]

[SEC. 9106. (a) The Secretary of the Navy (hereinafter in this section referred to as the "Secretary") is authorized to convey to the Philadelphia Municipal Authority, a State authority, (hereinafter in this section referred to as the "PMA"), all right, title, and interest of the United States in and to approximately 29 acres of land located in the United States Naval Base, Philadelphia, Pennsylvania together with any improvements thereon.]

[(b) The exact acreage and legal description of the lands to be conveyed under this section shall be determined by surveys that are satisfactory to the Secretary. The cost of any such survey shall be borne by the PMA.]

[(c) In consideration for any conveyance authorized under subsection (a), the PMA shall pay to the United States an amount equal to the fair market value of the property to be conveyed (as determined by the Secretary).]

[(d) The Secretary may require such additional terms and conditions with respect to the conveyance under this section as he considers appropriate to protect the interests of the United States.]

[(e) In addition to the authority provided in subsection (a) and pursuant to section 2394 of title 10, United States Code, the Secretary, upon his determination that there is an economic advantage to the Navy, is authorized to enter into a long-term contract with the PMA for the purchase of steam generated from a facility to be constructed upon the land authorized to be conveyed herein.]

[SEC. 9107. Authority for reimbursement provided pursuant to section 3 of Public Law 96-357 (10 U.S.C. 7572 note) is hereby extended through September 30, 1987, at an amount not to exceed \$1,657,000.]

[SEC. 9108. Notwithstanding any other provision of law, appropriations available in this Act may be used for the procurement, product improvement and modification of the Copperhead and five-inch guided projectiles, without regard to whether or not a second production source program or contract has been established for those programs, provided that the Secretary of Defense determines that such expenditures are in the interest of the Government of the United States.]

[SEC. 9109. (a) IN GENERAL.—The Administrator of General Services shall release to the Virginia Port Authority, an instrumentality of the Commonwealth of Virginia, all residuary rights of use held by the United States in three warehouses located in the city of Norfolk, Virginia, within the area operated as a public port facility and known as the Norfolk International Terminals.]

[(b) TIME LIMITATION; COMPENSATION.—The Administrator of General Services shall execute such documents and take such other actions as may be necessary to release, within one hundred and eighty days after the date of the enactment of this Act, the rights referred to in subsection (a). The release shall be made without any compensation in addition to compensation paid to the United States for such warehouses and other facilities by the city of Norfolk, Virginia, in 1968.]

[SEC. 9110. (a) IN GENERAL.—During fiscal year 1987 and during each of the six succeeding fiscal years, the Administrator of General Services shall obtain bids from domestic producers of high carbon



ferrochromium and of high carbon ferromanganese and award contracts for the conversion of chromium and manganese ores held in the National Defense Stockpile into high carbon ferrochromium and high carbon ferromanganese, respectively.]

[(b) STOCKPILE GOALS.—(1) Contracts awarded under subsection (a) shall provide for the addition of not less than 53,500 short tons of high carbon ferrochromium and 67,500 short tons of high carbon ferromanganese to the National Defense Stockpile in each of the fiscal years referred to in the preceding sentence.]

[(2) If, in any fiscal year referred to in subsection (a), the minimum quantity of high carbon ferrochromium or high carbon ferromanganese to be added to the National Defense Stockpile, as prescribed in paragraph (1), is not met, the quantity of such material to be added to such stockpile in the succeeding fiscal year shall be increased by the quantity of the deficiency.]

[(c) SEVEN-YEAR MINIMUM QUANTITIES.—The total quantities of high carbon ferrochromium and high carbon ferromanganese to be added to the National Defense Stockpile over the seven fiscal years referred to in subsection (a) shall be as follows:

(1) High carbon ferrochromium, 374,000 short tons.

(2) High carbon ferromanganese, 472,000 short tons.]

[(d) In this section, the term "National Defense Stockpile" means the stockpile provided for in section 4 of the Strategic and Critical Materials Stockpiling Act (50 U.S.C. 98c).]

[SEC. 9111. None of the funds appropriated or made available by this Act shall be used to implement or enforce the rule proposed on May 7, 1986 (51 Fed. Reg. 16988-16991), or section 8.304-91 of the Air Force FAR Supplement issued on June 24, 1985.]

[SEC. 9112. (a) It is the sense of Congress that—

(1) the capabilities inherent in the technologies associated with the Advanced Technology Bomber Program and the Advanced Cruise Missile Program are a critical national security asset for maintaining an adequate and credible deterrent posture;

(2) such technologies and programs should be developed as rapidly as feasible in order to produce and deploy advanced systems which will complicate the military planning of the Soviet Union and as a consequence enhance the deterrent posture of the United States;

(3) such technologies and programs should be funded at the levels authorized in this Act; and

(4) all the funds appropriated for such programs should be fully used for such programs.]

[(b) None of the funds appropriated in this Act to carry out the Advanced Technology Bomber Program or the Advanced Cruise Missile Program may be used for any other purpose.]

[(c) None of the funds appropriated in this or any other Act may be used for research, development, demonstration, procurement or any other purpose related to B-1B bombers beyond the 100 such bombers previously authorized.]

[SEC. 9113. (a) Not later than October 14, 1986, the Chairman of the Joint Chiefs of Staff of the Armed Forces of the United States shall submit to Congress a report, in both classified and unclassified versions, containing a detailed assessment, including the individual views of each of the Chiefs, of the military impacts on the national security of the United States, of the possible military responses of the Soviet Union to an American decision to no longer comply with major provisions of existing strategic offensive arms limitation agreements, including the central numerical sublimits on strategic nuclear delivery vehicles contained in the SALT II accord. This assessment shall concentrate on possible Soviet military responses during the period between fiscal year 1987 and fiscal year 1996, inclusive, and shall address, among other considerations, the following:

(1) the impact on the ability of United States strategic forces to accomplish their nuclear deterrent mission, including the impacts on the survivability of United States strategic forces and on the ability of United States strategic forces to achieve required damage expectancies against the Soviet targets, of any expansion of Soviet military capabilities undertaken in response to a United States decision to abandon compliance with existing strategic offensive arms agreements;

(2) the additional cost to the United States, above currently projected military expenditures for those periods for which such budget projections are available, of research, development, production, deployment, and annual operations and support for any additional strategic forces required to counter an expansion in Soviet military capabilities undertaken in response to a United

States decision to abandon compliance with existing strategic offensive arms agreements;

(3) under average annual real growth projections in defense spending of 0 percent, 1 percent, 2 percent, and 3 percent, the percent of the annual defense budget in each year between fiscal year 1987 and fiscal year 1996 which would be consumed by increased United States strategic forces needed to counter the Soviet force expansions;

(4) the military impacts on United States national security of the diversion of the funds identified in subsection (a)(2) away from nonstrategic defense programs and to strategic programs to counter expanded Soviet strategic capabilities, including the military impacts of such a diversion on the ability of United States conventional forces to meet the Nation's specific non-nuclear defense commitments as a member of the North Atlantic Treaty Organization, and under the 1960 Treaty of Mutual Cooperation and Security with Japan;

(5) in addition, this report shall address the military implications for the United States of determined Soviet violations of offensive arms control agreements.]

[(b) Notwithstanding any other provision of law, none of the funds authorized or appropriated by this or any other Act may be obligated or expended, directly or indirectly, by the Organization of the Joint Chiefs of Staff for prospective studies and analyses to be accomplished by individual civilian contractors or civilian contractor entities, after October 14, 1986, if the report mandated in subsection (a) has not been received by the Congress; and]

[(c) The prohibition contained in subsection (b) on the obligation or expenditure of funds after October 14, 1986, shall cease to have effect upon the receipt by Congress of the report mandated in subsection (a).]

[SEC. 9114. Subsection (b) of section 223 of the Department of Defense Authorization Act, 1986 (Public Law 99-145; 99 Stat. 613) is amended—

(1) by designating the matter after the subsection caption as paragraph (1); and

(2) by adding at the end the following:

"(2) The report required by paragraph (1) shall include the following information:

"(A) The cost goals or cost objectives—

"(i) for the production and deployment of a Strategic Defense Initiative System; and

"(ii) for the individual components of such system, determined on the basis of capabilities expected to be developed in the future.

"(B) The estimated costs of—

"(i) the production and deployment of the Strategic Defense Initiative System; and

"(ii) the production and deployment of the individual components of such system,

determined on the basis of prices in effect and capabilities in existence at the time of the preparation of the report.".]

[SEC. 9115. (a) ASSISTANT SECRETARY OF DEFENSE.—Section 136(b) of title 10, United States Code (as amended by section 106 of the Goldwater-Nichols Department of Defense Reorganization Act of 1986), is amended by adding at the end the following new paragraph:

"(4) One of the Assistant Secretaries shall be the Assistant Secretary of Defense for Special Operations and Low Intensity Conflict. He shall have as his principal duty the overall supervision (including oversight of policy and resources) of special operations activities (as defined in section 167(j) of this title) and low intensity conflict activities of the Department of Defense.".]

[(b) UNIFIED COMBATANT COMMAND.—(1) Chapter 6 of such title (as added by section 211 of the Goldwater-Nichols Department of Defense Reorganization Act of 1986) is amended by adding at the end the following new section:]

["§ 167. Unified combatant command for special operations forces]

["(a) ESTABLISHMENT.—With the advice and assistance of the Chairman of the Joint Chiefs of Staff, the President, through the Secretary of Defense, shall establish under section 161 of this title a unified combatant command for special operations forces (hereinafter in this section referred to as the 'special operations command'). The principal function of the command is to prepare special operations forces to carry out assigned missions.]



["(b) ASSIGNMENT OF FORCES.—Unless otherwise directed by the Secretary of Defense, all active and reserve special operations forces of the armed forces stationed in the United States shall be assigned to the special operations command.]"

["(c) GRADE OF COMMANDER.—The commander of the special operations command shall hold the grade of general or, in the case of an officer of the Navy, admiral while serving in that position, without vacating his permanent grade. The commander of such command shall be appointed to that grade by the President, by and with the advice and consent of the Senate, for service in that position.]"

["(d) COMMAND OF ACTIVITY OR MISSION.—(1) Unless otherwise directed by the President or the Secretary of Defense, a special operations activity or mission shall be conducted under the command of the commander of the unified combatant command in whose geographic area the activity or mission is to be conducted.

"(2) The commander of the special operations command shall exercise command of a selected special operations mission if directed to do so by the President or the Secretary of Defense.]"

["(e) AUTHORITY OF COMBATANT COMMANDER.—(1) In addition to the authority prescribed in section 164(c) of this title, the commander of the special operations command shall be responsible for, and shall have the authority to conduct, all affairs of such command relating to special operations activities, including the following functions:

"(A) Developing strategy, doctrine, and tactics.

"(B) Training assigned forces.

"(C) Conducting specialized courses of instruction for commissioned and noncommissioned officers.

"(D) Validating requirements.

"(E) Establishing priorities for requirements.

"(F) Ensuring combat readiness.

"(G) Developing and acquiring special operations-peculiar equipment and acquiring special operations-peculiar material, supplies, and services.

"(H) Ensuring the interoperability of equipment and forces.

"(I) Formulating and submitting requirements for intelligence support.

"(J) Monitoring the promotions, assignments, retention, training, and professional military education of special operations forces officers.

"(2) The commander of such command shall be responsible for monitoring the preparedness of special operations forces assigned to other unified combatant commands to carry out assigned missions.]"

["(f) BUDGET.—In addition to the activities of a combatant command for which funding may be requested under section 166(b) of this title, the budget proposal of the special operations command shall include requests for funding for—

"(1) development and acquisition of special operations-peculiar equipment; and

"(2) acquisition of other material, supplies, or services that are peculiar to special operations activities.]"

["(g) INTELLIGENCE AND SPECIAL ACTIVITIES.—This section does not constitute authority to conduct any activity which, if carried out as an intelligence activity by the Department of Defense, would require—

"(1) a finding under section 662 of the Foreign Assistance Act of 1961 (22 U.S.C. 2422); or

"(2) a notice to the Select Committee on Intelligence of the Senate and the Permanent Select Committee on Intelligence of the House of Representatives under section 501(a)(1) of the National Security Act of 1947 (50 U.S.C. 413).]"

["(h) REGULATIONS.—The Secretary of Defense shall prescribe regulations for the activities of the special operations command. Such regulations shall include authorization for the commander of such command to provide for operational security of special operations forces and activities.]"

["(i) IDENTIFICATION OF SPECIAL OPERATIONS FORCES.—(1) Subject to paragraph (2), for the purposes of this section special operations forces are those forces of the armed forces that—

"(A) are identified as core forces or as augmenting forces in the Joint Chiefs of Staff Joint Strategic Capabilities Plan, Annex E, dated, December 17, 1985;

"(B) are described in the Terms of Reference and Conceptual Operations Plan for the Joint Special Operations Command, as in effect on April 1, 1986; or

"(C) are designated as special operations forces by the Secretary of Defense.

"(2) The Secretary of Defense, after consulting with the Chairman of the Joint Chiefs of Staff and the commander of the special oper-

ations command, may direct that any force included within the description in paragraph (1)(A) or (1)(B) shall not be considered as a special operations force for the purposes of this section.]"

["(j) SPECIAL OPERATIONS ACTIVITIES.—For purposes of this section, special operations activities include each of the following insofar as it relates to special operations:

"(1) Direct action.

"(2) Strategic reconnaissance.

"(3) Unconventional warfare.

"(4) Foreign internal defense.

"(5) Civil affairs.

"(6) Psychological operations.

"(7) Counterterrorism.

"(8) Humanitarian assistance.

"(9) Theater search and rescue.

"(10) Such other activities as may be specified by the President or the Secretary of Defense."]

["(2) The table of sections at the beginning of such chapter is amended by adding at the end the following new item:

"167. Unified combatant command for special operations forces."]

["(c) MAJOR FORCE PROGRAM CATEGORY.—The Secretary of Defense shall create for the special operations forces a major force program category for the Five-Year Defense Plan of the Department of Defense. The Assistant Secretary of Defense for Special Operations and Low Intensity Conflict, with the advice and assistance of the commander of the special operations command, shall provide overall supervision of the preparation and justification of program recommendations and budget proposals to be included in such major force program category.]"

["(d) PROGRAM AND BUDGET EXECUTION.—To the extent that there is authority to revise programs and budgets approved by Congress for special operations forces, such authority may be exercised only by the Secretary of Defense, after consulting with the commander of the special operations command.]"

["(e) GRADE FOR COMMANDERS OF CERTAIN AREA SPECIAL OPERATIONS COMMANDS.—The commander of the special operations command of the United States European Command, the United States Pacific Command, and any other unified combatant command that the Secretary of Defense may designate for the purposes of this section shall be of general or flag officer grade.]"

["(f) BOARD FOR LOW INTENSITY CONFLICT.—Section 101 of the National Security Act of 1947 (50 U.S.C. 402) is amended by adding at the end the following new subsection:

"(f) The President shall establish within the National Security Council a board to be known as the 'Board for Low Intensity Conflict'. The principal function of the board shall be to coordinate the policies of the United States for low intensity conflict."]

["(g) DEPUTY ASSISTANT TO THE PRESIDENT FOR NATIONAL SECURITY AFFAIRS FOR LOW INTENSITY CONFLICT.—It is the sense of Congress that the President should designate within the Executive Office of the President a Deputy Assistant to the President for National Security Affairs to be the Deputy Assistant for Low Intensity Conflict.]"

["(h) REPORTS.—(1) Not later than 120 days after the date of the enactment of this Act, the Secretary of Defense shall submit to Congress a report on the plans of the Secretary for implementation of this section, including a description of the progress made on such implementation.

"(2) Not later than one year after the date of the enactment of this Act, the President shall transmit to Congress a report on the capabilities of the United States to conduct special operations and low intensity conflicts. The report shall include a description of the following:

(A) Deficiencies in such capabilities.

(B) Actions being taken throughout the executive branch to correct such deficiencies.

(C) The principal low intensity conflict threats to the interests of the United States.

(D) The actions taken and to be taken to implement this section.]"

["(i) EFFECTIVE DATE.—Section 167 of title 10, United States Code (as added by subsection (b)), shall be implemented not later than 180 days after the date of the enactment of this Act.]"

["(j) FUNDING FOR FISCAL YEAR 1987.—The Secretary of Defense may spend unobligated funds appropriated to the Department of Defense for fiscal years before fiscal year 1987 in such sums as necessary in order to carry out this section and section 167 of title 10, United States Code (as added by subsection (b)), during fiscal year 1987.]"



**[Sec. 9116. (a)** The Secretary of Defense shall award to a United States firm a contract pursuant to a solicitation issued on or after the date of enactment of this Act under the Department of Defense overseas fuel procurement programs that would otherwise be awarded to a foreign firm if such United States firm—

- (1) has a crude oil refining capacity of not more than 75,000 barrels a day;
- (2) participates in the Department of Defense overseas fuel procurement program;
- (3) agrees to the contract on the terms proposed by the foreign firm to which the contract would otherwise be awarded; and
- (4) does not use processing agreements in order to fulfill the contract.]

**[(b)** This provision shall not apply if the total cost of supplies offered by the United States firm, including transportation as specified in the solicitation, would exceed the total evaluated cost to the government if the contract were awarded to the foreign firm.]

**[(c)** This provision shall not supersede any status of forces agreement and shall not apply to acquisitions subject to the Agreement on Government Procurement of 1979 and the Trade Agreements Act of 1979 (19 U.S.C. 2501-2582) and including acquisitions from countries designated under the Caribbean Basin Economic Recovery Act (19 U.S.C. 2701, et seq.).]

**[(d)** For purposes of this section, the term "United States firm" means a corporation, partnership, association, joint stock company, business trust, unincorporated organization, or sole proprietorship which has its principal place of business in the United States, or which is organized under the laws of a State of the United States or a territory, possession, or commonwealth of the United States.]

**[Sec. 9117. (a)** None of the funds appropriated in this Act may be available for any country if the President determines that the government of such country is failing to take adequate measures to prevent narcotic drugs or other controlled substances cultivated or produced or processed illicitly, in whole or in part, in such country, or transported through such country, from being sold illegally within the jurisdiction of such country to United States personnel or their dependents, or from being smuggled into the United States. Such prohibition shall continue in force until the President determines and reports to the Congress in writing that—

- (1) the government of such country has prepared and committed itself to a plan presented to the Secretary of State that would eliminate the cause or basis for the application to such country of the prohibition contained in the first sentence; and
- (2) the government of such country has taken appropriate law enforcement measures to implement the plan presented to the Secretary of State.

**(b)** The provisions of subsection (a) shall not apply in the case of any country with respect to which the President determines that the application of the provisions of such subsection would be inconsistent with the national security interests of the United States.]

**[Sec. 9118. (a)** None of the funds made available by this Act to the Department of Defense may be used to procure the Federal Supply Classes of machine tools set forth in subsection (b) of this section, for use in any government-owned facility or property under control of the Department of Defense, which machine tools were not manufactured in the United States or Canada.]

**[(b)** The procurement restrictions contained in subsection (a) shall apply to Federal Supply Classes of metalworking machinery in categories numbered 3408, 3410-3419, 3426, 3433, 3441-3443, 3446, 3448, 3449, 3460, and 3461.]

**[(c)** When adequate domestic supplies of the classifications of machine tools identified in subsection (b) are not available to meet Department of Defense requirements on a timely basis, the procurement restrictions contained in subsection (a) may be waived on a case by case basis by the Secretary of the Service Branch responsible for the procurement.]

**[(d)** Subsection (a) shall not apply to contracts which are binding as of the date of enactment of this Act.]

**[Sec. 9119. (a)** Notwithstanding sections 2394(b) and 2690 of title 10, United States Code, the Secretary of the Army may use funds appropriated for the construction and operation of the Louisiana Army Ammunition Plant for the provision and operation of energy production facilities at such plant.

**(b)** Funds available to the Secretary of the Army under subsection (a) may be obligated without seeking third party contracts for the financing and construction of heating and power plants.]

**[Sec. 9120.** Of the funds appropriated by this Act, \$8,100,000 shall be made available to the Department of Defense in order to implement the recommendations of its Security Review Commission concerning personnel and industrial security programs; *Provided*, That the Department shall submit a reprogramming notification identifying funds for this purpose.]

**[Sec. 9121.** No funds shall be expended for implementation of the Department of Defense Federal Acquisition Regulation Supplement; Cargo Preference, published as proposed regulations on July 28, 1986, at page 27016 of volume 51, numbered 144 of the Federal Register.]

**[Sec. 9122.** Section 672 of title 10, United States Code, is amended by adding at the end the following new subsection:

**"(f)** The consent of a Governor described in subsections (b) and (d) may not be withheld (in whole or in part) with regard to active duty outside the United States, its territories, and its possessions, because of any objection to the location, purpose, type, or schedule of such active duty."

**[Sec. 9123. (a)(1)** Notwithstanding any other provision of law, except as provided in paragraph (1) or (2), the Secretary of the Navy shall reimburse Valerie S. Ford of Richmond, Virginia, for the expenses she incurred for her travel and the travel of her two dependent children and the transportation of her household goods in moving herself and her children from Makakilo, Hawaii, to Richmond, Virginia, in May 1984.

**(2)** The Secretary of the Navy may not make the reimbursement authorized in paragraph (1) unless, within one year after the date of enactment of this Act, the Secretary receives from Valerie S. Ford such application for reimbursement and documentation of expenses as the Secretary considers appropriate.

**(3)** The amount paid to Valerie S. Ford pursuant to paragraph (1) may not exceed the amount that would have been payable for the travel and transportation referred to in such paragraph if the travel and transportation had been timely and a proper and timely application had been submitted in the case of the said Valerie S. Ford as provided by law or applicable regulations.]

**[(b)** No part of any amount reimbursed pursuant to subsection (a) of this section in excess of 10 per centum thereof shall be paid or delivered to or received by any agent or attorney on account of services rendered in connection with such reimbursement, and the same shall be unlawful, any contract to the contrary notwithstanding. Violation of the provisions of this section is a misdemeanor punishable by a fine not to exceed \$1,000.]

**[Sec. 9124.** From existing funds the Secretary of Defense shall take additional steps for further development of planning, research, and facilities for physical acoustics and related matters and shall develop facilities for advanced microelectronics design research and development including but not restricted to military components replacement and the Mapped Array Differential Equation Machine.]

**[Sec. 9125.** Notwithstanding any other provision of law, appropriations available to the Department of Defense during the current fiscal year shall be available to make payments to a hospital that obtains 12 percent or more of its operating funds from contributions and that limits the care it provides to the treatment of heart and lung conditions: *Provided*, That payment may not be denied for a claim for otherwise reimbursable services submitted under a plan contracted for under sections 1079(a) and 1086(a) of title 10, United States Code, solely on the basis that such hospital does not impose a legal obligation, including a patient cost share or deductible, on its patients to pay for such services.]

**[Sec. 9126.** Notwithstanding the provisions of subsection 502(a)(1) of the National Security Act of 1947, funds appropriated by this Act may be obligated and expended for particular intelligence activities contained in this Act: *Provided*, That the funds appropriated or made available by this Act may be obligated and expended for the particular activities contained in this Act should the enactment of a National Defense Authorization Act for fiscal year 1987 fail to occur and this Act shall then be considered to provide the authorization and appropriation authority necessary to obligate and expend the funds provided herein.]

**[Sec. 9127.** Notwithstanding any other provision of law, where an error of the magnitude of four or greater in a financial ratio is made in the evaluation of an application for extension made by any firm in accordance with C.F.R. Section 124.1—(1)(f)(4)(i) (effective January 1, 1986), the maximum extension shall be granted.]

**[Sec. 9128.] 8061.** None of the funds provided by this Act may be used to pay the salaries of any person or persons who authorize the



transfer of unobligated and deobligated appropriations into the Reserve for Contingencies of the Central Intelligence Agency.

[Sec. 9129. Of the funds appropriated in this Act for the procurement of P-3C aircraft, the Secretary of the Navy may carry out Navy obligations under the classified Maritime Surveillance Agreement of 1986: *Provided*, That two of the P-3C aircraft to be procured may be used to implement United States obligations under such classified agreement.]

[Sec. 9130] 8062. Funds appropriated by this Act for construction projects of the Central Intelligence Agency, which are transferred to another Agency for execution, shall remain available until expended.

[Sec. 9131. Section 642 of S. 2638, as passed by the Senate on August 9, 1986, shall be deemed to be enacted into law as fully as if set forth herein: *Provided*, That the total amount herein appropriated for "Military Personnel" appropriations accounts shall be reduced by \$350,000,000.]

[Sec. 9132. During the current fiscal year, the Department of Defense shall conduct a new competition for 9mm handguns, with procurement starting in fiscal year 1988 in parallel with the current contract.]

[Sec. 9133. Funds appropriated to the Department of Defense during fiscal year 1987, or otherwise available for obligation during fiscal year 1987, shall be available for obligation notwithstanding any provisions contained in any Act authorizing appropriations for the Department of Defense for fiscal year 1987, heretofore or hereafter enacted, that would otherwise limit obligations of the aggregate amount that may be obligated at the appropriation account level, appropriations subdivision level, or appropriation budget activity level, unless as subsequently enacted provision expressly and specifically references that provision and directly amends or repeals this provision.]

[Sec. 9134. (a) Notwithstanding any other provision of this Joint Resolution, none of the funds appropriated in this or any other Act shall be used to sell, lease, transfer, or otherwise dispose of any portion of the approximately twenty-six acres of Fort DeRussy, Hawaii, lying southwest of Kalia Road, which includes the Hale Koa Hotel, the Armed Forces Recreation Center, and beachfront area.]

[(b) Notwithstanding any other provision of this Joint Resolution, to include section 509 of the Department of the Treasury, Postal Service, and General Government Appropriations Acts as contained in this Joint Resolution, or any other provision of the law, including section 809 of the Military Construction Act, 1968, section 807(d) of the Military Construction Authorization Act, 1984, or any other provision of an annual Appropriation Act restricting use of funds for the sale, lease, rental, or excessing of Fort DeRussy, Hawaii, any right or interest of the United States in the remaining forty-five acres of Fort DeRussy, Hawaii, lying northeast of Kalia Road, which comprises the three United States Army Reserve Centers and miscellaneous facilities, may not be sold, leased, or transferred in accordance with Federal laws and Department of Defense regulations governing the disposal of Defense installations prior to August 1, 1987: *Provided*, That no such sale, lease, transfer, or other disposition proposed by the Secretary of the Army after August 1, 1987 shall occur until 60 legislative days after notification of the proposed action to the Committees on Armed Services and Appropriations of the House of Representatives and Senate.]

[(c) The exact acreage and legal descriptions of the property addressed by this section shall be determined by surveys which are satisfactory to the Secretary of the Army.]

[Sec. 9135. None of the funds appropriated or otherwise made available by this or any other Act may be obligated or expended during fiscal year 1987 for, or in connection with, a Strategic Defense Initiative Institute unless—

- (1) obligation or expenditure of funds for such purpose is specifically authorized by law in an Act other than this Act; and
- (2) funds are specifically appropriated for such purposes in an Act other than this Act.

For purposes of this section, a Strategic Defense Initiative Institute is a Federally Funded Research and Development Center intended to lend technical support to the Strategic Defense Initiative Organization, as described in the Federal Register on March 18, 1986, April 24, 1986, and May 21, 1986.]

[Sec. 9136. (a) The Secretary of Defense shall conduct through the Civilian Health and Medical Program of the Uniformed Services (CHAMPUS) a demonstration project on the treatment of alcoholism designed to compare the use of chemical aversion therapy with the use of other treatments. The Secretary shall submit to the Committees on Appropriations and Armed Services of the Senate and House

of Representatives a report describing the proposed conduct of the demonstration project not later than November 1, 1986. The Secretary shall implement the demonstration project not later than February 1, 1987. At the conclusion of the demonstration project, the Secretary shall submit to such committees a report on the results of the project: *Provided*, That the demonstration project shall be conducted at only one location: *Provided further*, That coverage for chemical aversion therapy under this demonstration project is extended to those beneficiaries referred for such treatment by a physician, psychiatrist or psychologist recognized as an authorized provider under CHAMPUS.]

[(b) Until the report required by subsection (a) on the results of the demonstration project is submitted, the Secretary of Defense shall ensure that coverage of beneficiaries under section 1079(a) or 1086(a) of title 10, United States Code, shall continue under the provisions of subsection (a).] (*Department of Defense Appropriations Act, 1987, as included in Public Laws 99-500 and 99-591, section 101(c).*)

## ARMS CONTROL

[Sec. 1101. (a) LIMITATION ON TESTING OF ANTI-SATELLITE WEAPONS.—The Secretary of Defense may not carry out a test of the Space Defense System (anti-satellite weapon) against an object in space until the President certifies to Congress that the Soviet Union has conducted, after the date of the enactment of this Act, a test against an object in space of a dedicated anti-satellite weapon.]

[(b) EXPIRATION OF MORATORIUM.—The prohibition in subsection (a) expires on October 1, 1987.]

[Sec. 1102. (a) REPORT BY THE SECRETARY OF DEFENSE ON ICBM MODERNIZATION.—At the same time the Secretary of Defense submits to the Committees on Armed Services of the Senate and House of Representatives the report on the intercontinental ballistic missile (ICBM) modernization program required by section 123(c) of the Department of Defense Authorization Act, 1984 (Public Law 98-94; 97 Stat. 614), the Secretary shall submit to such Committees a statement containing the basis of the Secretary's recommendation to the President, and any decisions of the President, regarding the following matters:

- (1) The configuration of a small intercontinental ballistic missile in terms of weight, number of warheads, and production schedule.
- (2) The selected options for more survivable follow-on basing modes and basing locations for MX (Peacekeeper) missiles.
- (3) The advisability of going forward with one or more selected basing modes to a full-scale engineering development decision.]

[(b) LIMITATION ON DEPLOYMENT OF PEACEKEEPER (MX) MISSILE; DEVELOPMENT OF SMALL ICBM.—The limitations contained in sections 206 and 1231 of the Department of Defense Authorization Act, 1984 (Public Law 98-94; 97 Stat. 614), on the deployment of the MX missile and the development of a small intercontinental ballistic missile shall cease to apply when full-scale engineering development of a small mobile intercontinental ballistic missile begins.]

[(c) LIMITATIONS ON FUNDING.—Of the amounts appropriated herein for fiscal year 1987 for the ICBM Modernization Program—

- (1) \$120,000,000 shall be available for research and development on follow-on basing options;
- (2) \$290,000,000 shall be available for research and development of the Peacekeeper (MX) missile; and
- (3) \$1,200,000,000 shall be available for research and development of a small mobile intercontinental ballistic missile and basing for such missile.]

[Sec. 1103. Of the amount appropriated by this Act for research, development, test, and evaluation for the Defense Agencies, not more than \$3,213,000,000 is available for the Strategic Defense Initiative (SDI) program.]

[Sec. 1104. Of the amounts appropriated in the Energy and Water Development Appropriations Act for fiscal year 1987 for national security programs for the Department of Energy, \$317,000,000 is available for programs, projects, and activities of the Department of Energy relating to the Strategic Defense Initiative.]

[Sec. 1105. (a) SENSE OF CONGRESS RELATING TO CONTINUED ADHERENCE TO SALT II NUMERICAL SUBLIMITS.—It is the sense of the Congress that it is in the national security interests of the United States to continue voluntary compliance with the central numerical sublimits of the SALT II Treaty as long as the Soviet Union complies with such sublimits.]



**[DEFINITION.]**—For purposes of this section, the central numerical sublimits of the SALT II Treaty include prohibitions on the deployment of the following:

- (1) Launchers for more than 820 intercontinental ballistic missiles carrying multiple independently-targetable reentry vehicles.
- (2) Launchers for an aggregate of more than 1,200 intercontinental ballistic missiles carrying multiple independently-targetable reentry vehicles and submarine-launched ballistic missiles carrying multiple independently-targetable reentry vehicles.
- (3) An aggregate of more than 1,320 launchers described in paragraph (2) and heavy bombers equipped for air-launched cruise missiles capable of a range in excess of 600 kilometers.]

**[SEC. 1106. (a) SENSE OF CONGRESS ON NUCLEAR TESTING.]**—The Congress makes the following findings:

- (1) The United States is committed in the Limited Test Ban Treaty of 1963 and in the Non-Proliferation Treaty of 1968 to seek to achieve the discontinuance of all test explosions of nuclear weapons for all time.
- (2) A comprehensive test ban treaty would promote the security of the United States by constraining the United States-Soviet nuclear arms competition and by strengthening efforts to prevent the proliferation of nuclear weapons.
- (3) The Threshold Test Ban Treaty was signed in 1974 and the Peaceful Nuclear Explosions Treaty was signed in 1976, and both have yet to be considered by the full Senate for its advice and consent to ratification.
- (4) The entry into force of the Peaceful Nuclear Explosions Treaty and the Threshold Test Ban Treaty will ensure full implementation of significant new verification procedures and so make completion of a comprehensive test ban treaty more probable.
- (5) A comprehensive test ban treaty must be adequately verifiable, and significant progress has been made in methods for detection of underground nuclear explosions by seismological and other means.
- (6) At present, negotiations are not being pursued by the United States and the Soviet Union toward completion of a comprehensive test ban treaty.
- (7) The past five administrations have supported the achievement of a comprehensive test ban treaty.]

**[(b) SENSE OF CONGRESS.]**—It is the sense of Congress that, at the earliest possible date, the President should—

- (1) request the advice and consent of the Senate to ratification (with a report containing any plans the President may have to negotiate supplemental verification procedures, or if the President believes it necessary, any understanding or reservation on the subject of verification which should be attached to the treaty) of the Threshold Test Ban and Peaceful Nuclear Explosions Treaties, signed in 1974 and 1976, respectively; and
- (2) propose to the Soviet Union the immediate resumption of negotiations toward conclusion of a verifiable comprehensive test ban treaty.

In accordance with international law, the United States shall have no obligation to comply with any bilateral arms control agreement with the Soviet Union that the Soviet Union is violating.]

**[SEC. 1107. (a) LIMITATION ON FISCAL YEAR 1987 FUNDS FOR THE BIGEYE BINARY CHEMICAL BOMB.]**—Before October 1, 1987, funds appropriated for fiscal year 1987 for procurement of the BIGEYE binary chemical bomb may not be obligated—

- (1) for procurement (including procurement of components) of such bomb; or
- (2) for assembly of such bomb.]

**[(b) LIMITATION ON FINAL ASSEMBLY.]**—Before October 1, 1988, funds appropriated or otherwise made available to the Department of Defense may not be obligated or expended for the final assembly of complete BIGEYE binary chemical bombs.]

**[(c) LIMITATION ON FISCAL YEAR 1986 FUNDS FOR PRODUCTION FACILITIES.]**—(1) Of the funds appropriated for fiscal year 1986 for production facilities for the BIGEYE binary chemical bomb, not more than \$90,000,000 may be obligated or expended. None of such amount may be obligated or expended until the President certifies to Congress that—

- (1) production of the BIGEYE binary chemical bomb is in the national security interests of the United States; and
- (2) the design, planning, and environmental requirements for such facilities have been satisfied.]

**[(d) GAO MONITORING AND REPORT.]**—(1) The Secretary of Defense shall provide for the involvement of the Comptroller General in monitoring the operational testing of the BIGEYE bomb.

(2) After any such testing is completed, the Comptroller General shall submit to the Committees on Armed Services of the Senate and House of Representatives a report on such testing. The report shall include an assessment of such testing and any comments the Comptroller General considers appropriate.]

**[(e) REPORT ON LONG-RANGE STANDOFF CHEMICAL MUNITIONS.]**—(1) The Secretary of Defense shall submit to Congress a report on the military requirements for long-range standoff chemical weapons. The report shall address the military advantages and disadvantages of such weapons and the potential of such weapons to complement the currently planned binary chemical weapon systems.

(2) Such report shall be submitted not later than March 15, 1987.]

**[SEC. 1108.]** Of the amount appropriated by this Act for research, development, test, and evaluation for the Air Force, not more than \$200,000,000 is available for the Space Defense System. None of such amount may be used for the production verification of the Miniature Homing Vehicle.] (*Department of Defense Appropriations Act, 1987, as included in Public Laws 99-500 and 99-501, section 101(c)*)

## GENERAL PROVISIONS—MILITARY CONSTRUCTION

**SEC. 101.** None of the funds appropriated in this [title] Act shall be expended for payments under a cost-plus-a-fixed-fee contract for work, where cost estimates exceed \$25,000, to be performed within the United States, except Alaska, without the specific approval in writing of the Secretary of Defense setting forth the reasons therefor.

**SEC. 102.** Funds herein appropriated to the Department of Defense for construction shall be available for hire of passenger motor vehicles.

**SEC. 103.** Funds appropriated to the Department of Defense for construction may be used for advances to the Federal Highway Administration, Department of Transportation, for the construction of access roads as authorized by section 210 of title 23, United States Code, when projects authorized therein are certified as important to the national defense by the Secretary of Defense.

**SEC. 104.** None of the funds appropriated in this [title] Act may be used to begin construction of new bases inside the continental United States for which specific appropriations have not been made.

**SEC. 105.** No part of the funds provided in this [title] Act shall be used for purchase of land or land easements in excess of 100 per centum of the value as determined by the Corps of Engineers or the Naval Facilities Engineering Command, except; (a) where there is a determination of value by a Federal court, or (b) purchases negotiated by the Attorney General or his designee, or (c) where the estimated value is less than \$25,000, or (d) as otherwise determined by the Secretary of Defense to be in the public interest.

**SEC. 106.** None of the funds appropriated in this [title] Act shall be used to (1) acquire land, (2) provide for site preparation, or (3) install utilities for any family housing, except housing for which funds have been made available in annual military construction appropriation Acts.

**[SEC. 107.]** None of the funds appropriated in this title for minor construction may be used to transfer or relocate any activity from one base or installation to another, without prior notification to the Committees on Appropriations.]

**SEC. [108] 107.** No part of the funds appropriated in this [title] Act may be used for the procurement of steel for any construction project or activity for which American steel producers, fabricators, and manufacturers have been denied the opportunity to compete for such steel procurement.

**SEC. [109] 108.** No part of the funds appropriated in this [title] Act for dredging in the Indian Ocean may be used for the performance of the work by foreign contractors: *Provided*, That the low responsive and responsible bid of a United States contractor does not exceed the lowest responsive and responsible bid of a foreign contractor by greater than 20 per centum.

**SEC. [110] 109.** None of the funds available to the Department of Defense for military construction or family housing during the current fiscal year may be used to pay real property taxes in any foreign nation *except where required by nation-to-nation agreements*.

**[SEC. 111.]** No part of the funds appropriated in this title may be used to pay the compensation of an officer of the Government of the United States or to reimburse a contractor for the employment of a



person for work in the continental United States by any such person if such person is an alien who has not been lawfully admitted to the United States.]

[SEC. 112. The expenditure of any appropriation under this title for any consulting service through procurement contract, pursuant to 5 U.S.C. 3109, shall be limited to those contracts where such expenditures are a matter of public record and available for public inspection, except where otherwise provided under existing law, or under existing Executive order issued pursuant to existing law.]

[SEC. 113. None of the funds appropriated by this title may be obligated and expended in any way for the express purpose of sale, lease, or rental of any portion of land currently identified as Fort DeRussy, Honolulu, Hawaii.]

SEC. [114] 110. None of the funds in this [title] Act may be used to initiate a new installation overseas without prior notification to the Committees on Appropriations.

[SEC. 115. None of the funds appropriated in this title may be obligated for architect and engineer contracts estimated by the Government to exceed \$500,000 for projects to be accomplished in Japan or in any NATO member country, unless such contracts are awarded to United States firms or United States firms in joint venture with host nation firms.]

SEC. [116] 111. None of the funds appropriated in this [title] Act for military construction in the United States territories and possessions in the Pacific and on Kwajalein Island may be used to award any contract estimated by the Government to exceed \$1,000,000 to a foreign contractor: *Provided*, That this section shall not be applicable to contract awards for which the lowest responsive and responsible bid of a United States contractor exceeds the lowest responsive and responsible bid of a foreign contractor by greater than 20 per centum.

[SEC. 117. The Secretary of Defense is to inform the Committees on Appropriations and Committees and Armed Services of the plans and scope of any proposed military exercise involving United States personnel 30 days prior to its occurring, if amounts expended for construction, either temporary or permanent, are anticipated to exceed \$100,000.]

SEC. [118] 112. Unexpended balances in the Military Family Housing Management Account established pursuant to section 2831 of title 10, United States Code, as well as any additional amounts which would otherwise be transferred to the Military Family Housing Management Account during [fiscal year 1987] the current fiscal year or the following fiscal year, shall be transferred to the appropriations available for Family Housing provided in this [title] Act, as determined by the Secretary of Defense, based on the sources from which the funds were derived, and shall be available for the same purposes, and for the same time period, as the appropriation to which they have been transferred.

SEC. [119] 113. Not more than 20 per centum of the appropriations in this [title] Act which are limited for obligation during [the current] a single fiscal year shall be obligated during the last two months of [the] such fiscal year.

SEC. [120] 114. Funds appropriated to the Department of Defense for construction in prior years are hereby made available for construction authorized for each such military department by the authorizations enacted into law during the [second session of the Ninety-ninth] One Hundredth Congress.

[SEC. 121. For Transfer by the Secretary of Defense to and from appropriations and funds not merged pursuant to subsection 1552(a)(1) of title 31 of the United States Code and available for obligation or expenditure during fiscal year 1987 or thereafter, for military construction or expenses of family housing for the military departments and Defense agencies, in order to maintain the budgeted level of operations for such appropriations and thereby eliminate substantial gains and losses to such appropriations caused by fluctuations in foreign currency exchange rates that vary substantially from those used in preparing budget submissions, an appropriation, to remain available until expended: *Provided*, That funds transferred from this appropriation shall be merged with and be available for the same purpose, and for the same time period, as the appropriation or fund to which transferred, and funds transferred to this appropriation shall be merged with, and available for the purpose of this appropriation until expended: *Provided further*, That transfers may be made from time to time from this appropriation to the extent the Secretary of Defense determines it may be necessary to do so to reflect downward fluctuations in the currency exchange rates from those used in preparing the budget submissions for such appropriations, but transfers shall be made from such appropriations to this appropriation to reflect upward fluctuations in currency exchange rates to prevent

substantial net gains in such appropriations: *Provided further*, That authorizations or limitations now or hereafter contained within appropriations or other provisions of law limiting the amounts that may be obligated or expended for military construction and family housing expenses are hereby increased to the extent necessary to reflect downward fluctuations in foreign currency exchange rates from those used in preparing the applicable budget submission: *Provided further*, That for the purposes of the appropriation "Foreign Currency Fluctuations, Construction, Defense" the foreign currency rates used in preparing budget submissions shall be the foreign currency exchange rates as adjusted or modified, as reflected in applicable Committee reports on the Acts making appropriations for military construction for the Department of Defense: *Provided further*, That the Secretary of Defense shall provide an annual report to the Congress on all transfers made to or made from this appropriation: *Provided further*, That contracts or other obligations entered into payable in foreign currencies may be recorded as obligations based on the currency exchange rates used in preparing budget submissions and adjustments to reflect fluctuations in such rates may be recorded as disbursements are made: *Provided further*, That no later than the end of the second fiscal year following the fiscal year for which appropriations for Family Housing Operation and Maintenance have been made available to the Department of Defense, and no later than the end of the sixth fiscal year following the fiscal year for which the appropriations for Military Construction and Family Housing Construction have been made available to the Department of Defense, unobligated balances of such appropriations may be transferred into the appropriation "Foreign Currency Fluctuations, Construction, Defense": *Provided further*, That, at the discretion of the Secretary of Defense, any savings generated in the military construction and family housing programs may be transferred to this appropriation.]

[SEC. 122. The Secretary of the Navy shall enter into negotiations with shipyards located on Sampson Street, San Diego, California, and on Fort George Island, Jacksonville, Florida, to determine what liability (if any) the United States has for damages suffered by such a shipyard resulting from facility improvements made by such shipyard during 1982 in good faith reliance on representations and assurances provided to officials of such shipyard by representatives of the Department of the Navy in 1981 and 1982 with respect to future work of the Department of the Navy at such shipyard.]

[SEC. 123. For Military Construction for the strategic homeporting initiative, no more than \$799,000,000 shall be appropriated or obligated through fiscal year 1991.]

[SEC. 124. Of the total amount of budget authority provided for fiscal year 1987 by this Act that would otherwise be available for consulting services, management and professional services, and special studies and analyses, 10 per centum of the amount intended for such purposes in the President's budget for 1987, as amended, for any agency, department or entity subject to apportionment by the Executive shall be placed in reserve and not made available for obligation or expenditure: *Provided*, That this section shall not apply to any agency, department or entity whose budget request for 1987 for the purposes stated above did not amount to \$5,000,000.]

[SEC. 125. (a) None of the funds appropriated in this Act may be available for any country if the President determines that the government of such country is failing to take adequate measures to prevent narcotic drugs or other controlled substances cultivated or produced or processed illicitly, in whole or in part, in such country, or transported through such country, from being sold illegally within the jurisdiction of such country of United States personnel or their dependents, or from being smuggled into the United States. Such prohibition shall continue in force until the President determines and reports to the Congress in writing that—

(1) the government of such country has prepared and committed itself to a plan presented to the Secretary of State that would eliminate the cause or basis for the application of such country of the prohibition contained in the first sentence; and

(2) the government of such country has taken appropriate law enforcement measures to implement the plan presented to the Secretary of State.]

[ (b) The provisions of subsection (a) shall not apply in the case of any country with respect to which the President determines that the application of the provisions of such subsection would be inconsistent with the national security interests of the United States.]

[SEC. 126. Section 4, chapter III of Public Law 99-349, dated July 2, 1986, is amended to read as follows: Of the amounts available to the Department of Defense, not to exceed \$5,000,000 shall be available for



such claims arising from property losses caused by the explosion of Army munitions near Checotah, Oklahoma on August 4, 1985, and claims determined by the Department to be bona fide shall be paid from the funds made available by this section without a determination of legal liability based on an act or omission of an agent or employee of the Federal Government.】

【SEC. 127. The Secretary of Defense is to provide the Committees on Appropriations of the Senate and the House of Representatives with a report by February 15, 1987, containing details of the specific actions proposed to be taken by the Department of Defense during fiscal year 1987 to encourage other member nations of the North

Atlantic Treaty Organization and Japan to assume a greater share of the common defense burden of such nations and the United States.】

SEC. 115. *Funds appropriated in this Act for Military Construction, Army; Military Construction, Navy; Military Construction, Air Force; and Military Construction, Defense Agencies shall be available for expenses associated with the operation, maintenance, repair, renovation, improvement, replacement, and disposal of Defense facilities, including family housing, listed on the National Register of Historic Places. (Military Construction Appropriations Act, 1987, as included in Public Laws 99-500 and 99-591, section 101(k).)*



# DEPARTMENT OF DEFENSE—CIVIL

## CEMETERIAL EXPENSES, ARMY

### Federal Funds

#### General and special funds:

#### SALARIES AND EXPENSES

For necessary expenses, as authorized by law, for maintenance, operation, and improvement of Arlington National Cemetery and Soldiers' and Airmen's Home National Cemetery, and not to exceed \$1,000 for official reception and representation expenses; **[\$15,783,000] \$8,504,000**, to remain available until expended **[**: *Provided*, That reimbursement shall be made to the applicable military appropriation for the pay and allowances of any military personnel performing services primarily for the purposes of this appropriation**]**.

Note.—Public Laws 99-500 and 99-591, section 101(g), provide funds to the extent and in the manner provided for in the conference version of H.R. 5313, Department of Housing and Urban Development-Independent Agencies Appropriations Act, 1987.

#### Program and Financing (in thousands of dollars)

Identification code	21-1805-0-1-705	1986 actual	1987 est.	1988 est.
<b>Program by activities:</b>				
00.01	Operation and maintenance.....	5,996	6,451	6,744
00.02	Administration.....	306	330	340
00.03	Special construction, Arlington National Cemetery.....	8,000	9,082	1,420
10.00	Total obligations.....	14,302	15,863	8,504
<b>Financing:</b>				
17.00	Recovery of prior year obligations.....	-284		
21.40	Unobligated balance available, start of year.....	-36	-6	
24.40	Unobligated balance available, end of year.....	6		
39.00	Budget authority.....	13,987	15,857	8,504
<b>Budget authority:</b>				
40.00	Appropriation.....	13,987	15,783	8,504
44.40	Supplemental for retirement contributions (P.L. 99-335).....		74	
<b>Relation of obligations to outlays:</b>				
71.00	Obligations incurred, net.....	14,302	15,863	8,504
72.40	Obligated balance, start of year.....	3,839	9,990	11,418
74.40	Obligated balance, end of year.....	-9,990	-11,418	-3,929
78.00	Adjustments in unexpired accounts.....	-284		
89.00	Outlays.....	7,866	14,435	15,995
<b>Outlays:</b>				
90.00	Outlays, excluding retirement contribution supplemental.....	7,866	14,363	15,993
91.40	Outlays from retirement contribution supplemental.....		72	2

**Operation and maintenance.**—Funds requested will provide for contractual services, necessary operating supplies and equipment, and personnel.

**Administration.**—Provision is made for determining eligibility for burial; management of Arlington and Soldiers' Home National Cemeteries; and administrative support.

**Special construction, Arlington National Cemetery.**—Funds requested will provide for demolition of the temporary visitors center and parking facility and design of a 10,000 niche Columbarium.

#### Object Classification (in thousands of dollars)

Identification code	21-1805-0-1-705	1986 actual	1987 est.	1988 est.
<b>Personnel compensation:</b>				
11.1	Full-time permanent.....	2,992	3,092	3,168
11.3	Other than full-time permanent.....	100	120	100

11.5	Other personnel compensation.....	90	80	40
11.9	Total personnel compensation.....	3,182	3,292	3,308
12.1	Personnel benefits: Civilian.....	458	584	855
21.0	Travel and transportation of persons.....	3	3	3
22.0	Transportation of things.....	2	2	2
23.1	Rental payments to GSA.....	8		
23.3	Communications, utilities, and miscellaneous charges.....	175	185	214
25.0	Other services.....	2,007	2,026	2,485
26.0	Supplies and materials.....	430	480	481
31.0	Equipment.....	183	198	226
32.0	Lands and structures.....	7,854	9,093	930
99.9	Total obligations.....	14,302	15,863	8,504

#### Personnel Summary

Total number of full-time permanent positions.....	140	140	140
Total compensable workyears:			
Full-time equivalent employment.....	147	149	148
Full-time equivalent of overtime and holiday hours.....	3	3	2

1-H1



The 1988 and 1989 payments to the military retirement fund include funds for the amortization of the unfunded liability for all retirement benefits earned by military personnel for service prior to 1985. The amortization schedule for the unfunded liability was determined by the DOD Retirement Board of Actuaries. Included in the unfunded liability are the consolidated requirements of the military departments to cover: (a) retired officers and enlisted personnel of the Army, Navy, Marine Corps, and Air Force; (b) retainer pay of enlisted personnel of the Fleet Reserve of the Navy and Marine Corps; and (c) survivors benefits.

## RETIRED PAY, DEFENSE

## Program and Financing (in thousands of dollars)

Identification code	97-0030-0-1-602	1986 actual	1987 est.	1988 est.
Relation of obligations to outlays:				
71.00	Obligations incurred, net.....			
72.40	Obligated balance, start of year.....	25,015	19,941	12,941
74.00	Obligated balance, end of year.....	-19,941	-12,941	-7,941
77.00	Adjustments in expired accounts.....	4,968		
90.00	Outlays.....	10,042	7,000	5,000

## Trust Funds

## MILITARY RETIREMENT FUND

## Program and Financing (in thousands of dollars)

Identification code	97-8097-0-7-602	1986 actual	1987 est.	1988 est.
Program by activities:				
00.01	Nondisability.....	14,986,834	15,366,600	16,168,100
00.02	Temporary disability.....	71,746	77,900	82,000
00.03	Permanent disability.....	1,311,792	1,304,300	1,372,300
00.04	Fleet Reserve.....	643,293	597,500	628,700
00.05	Survivors' benefits.....	623,947	680,600	716,100
10.00	Total obligations (object class 42.0).....	17,637,612	18,026,900	18,967,200
Financing:				
Unobligated balance available, start of year:				
21.40	Treasury balance.....	-2,364	-1,172	-2,000
21.40	U.S. securities (par).....	-10,155,606	-19,469,654	-33,411,472
21.40	Unamortized premium (-) or discount, net.....	221,539	-2,723,691	-2,000,000
Unobligated balance available, end of year:				
24.40	Treasury balance.....	1,172	2,000	2,000
24.40	U.S. securities (par).....	19,469,654	33,411,472	47,936,272
24.40	Unamortized premium or discount (-), net.....	2,723,691	2,000,000	1,917,000
60.00	Budget authority (appropriation) (permanent, indefinite).....	29,895,698	31,245,855	33,409,000
Relation of obligations to outlays:				
71.00	Obligations incurred, net.....	17,637,612	18,026,900	18,967,200
Obligated balance available, start of year:				
72.40	U.S. securities (par).....	1,479,124	1,400,000	1,482,228
72.40	Unamortized premium or discount (-), net.....	-22,187	84,028	83,000
Obligated balance available, end of year:				
74.40	U.S. securities (par).....	-1,400,000	-1,482,228	-1,567,728
74.40	Unamortized premium (-) or discount, net.....	-84,028	-83,000	-83,000
90.00	Outlays.....	17,610,521	17,945,700	18,881,700

## MILITARY RETIREMENT

## Federal Funds

## General and special funds:

## PAYMENT TO MILITARY RETIREMENT FUND

## Program and Financing (in thousands of dollars)

Identification code	97-0040-0-1-054	1986 actual	1987 est.	1988 est.	1989 est.
Program by activities:					
10.00	Total obligations (object class 13.0).....	10,500,000	10,524,000	11,200,000	11,494,000
Financing:					
60.00	Budget authority (appropriation) (permanent, indefinite).....	10,500,000	10,524,000	11,200,000	11,494,000
Relation of obligations to outlays:					
71.00	Obligations incurred, net.....	10,500,000	10,524,000	11,200,000	11,494,000
90.00	Outlays.....	10,500,000	10,524,000	11,200,000	11,494,000

Public Law 98-94 provided for accrual funding of the military retirement system and for the establishment of a Department of Defense Military Retirement Fund in 1985. The fund is financed through: (a) Federal contributions for retired pay and retirement pay of military personnel on the retired lists of the Army, Navy and Marine Corps, and Air Force, including the reserve



## General and special funds—Continued

## MILITARY RETIREMENT FUND—Continued

components thereof, and retainer pay for personnel of the Inactive Fleet Reserve; (b) Government contributions consisting of a normal cost accrual percentage applied to basic pay amounts contained in the military personnel appropriations; and (c) interest on investments.

The status of the fund is as follows:

## STATUS OF FUND

[In thousands of dollars]

	1986 actual	1987 est.	1988 est.
Unexpended balance, start of year:			
Cash	2,364	1,172	2,000
U.S. securities:			
Par	11,634,730	20,869,654	34,893,700
Unamortized premiums/discounts (—) (including interest purchased)	—243,726	2,807,719	2,083,000
Total, U.S. securities	11,391,004	23,677,373	36,976,700
Balance of trust fund, start of year	11,393,368	23,678,545	36,978,700
Cash income for the year (intragovernmental receipts):			
Employer's contribution:			
Appropriation: DOD Military	17,422,736	18,184,800	18,233,800
Appropriation: Corps of Engineers	5,800	8,300	8,400
Proposed legislation (pay raise)			540,100
Total, employer's contribution	17,428,536	18,193,100	18,782,300
General fund payment (unfunded liability)	10,500,000	10,524,000	11,200,000
Earnings on investments	1,967,162	2,528,755	3,426,700
Total cash income	29,895,698	31,245,855	33,409,000
Cash outgo during the year:			
Payments to retirees	17,610,521	17,945,700	18,881,700
Net income or outgo (—)	12,285,177	13,300,155	14,527,300
Unexpended balance, end of year:			
Cash	1,172	2,000	2,000
U.S. securities:			
Par	20,869,654	34,893,700	49,504,000
Unamortized premiums/discounts (—) (including interest purchased)	2,807,719	2,083,000	2,000,000
Total, U.S. securities	23,677,373	36,976,700	51,504,000
Balance of trust fund, end of year	23,678,545	36,978,700	51,506,000

## EDUCATION BENEFITS

## Federal Funds

## General and special funds:

## [PAYMENT TO THE HENRY M. JACKSON FOUNDATION]

【For payment to the Henry M. Jackson Foundation, a direct and unrestricted grant, including any interest or earnings therefrom, to support the purposes of the Foundation, its on-going educational and public services programs and to serve as a memorial to the late Senator Henry M. Jackson; \$10,000,000: *Provided*, That, notwithstanding any other provision of law or of this Act, the Secretary of Defense is hereby authorized and directed to make the grant authorized by this section to the Henry M. Jackson Foundation, and such grant shall be transferred to the Foundation by January 1, 1987.】 (*Department of Defense Appropriations Act, 1987, as included in Public Laws 99-500 and 99-591, section 101(c).*)

## Program and Financing (in thousands of dollars)

Identification code	1986 actual	1987 est.	1988 est.
97-0825-0-1-502			
Program by activities:			
10.00 Total obligations (object class 41.0)		10,000	
Financing:			
40.00 Budget authority (appropriation)		10,000	

71.00	Relation of obligations to outlays:		
	Obligations incurred, net	10,000	
90.00	Outlays	10,000	

## Trust Funds

## EDUCATION BENEFITS FUND

## Program and Financing (in thousands of dollars)

Identification code	1986 actual	1987 est.	1988 est.
97-8098-0-7-702			
Program by activities:			
00.01 Active duty program	1	3,000	15,000
00.02 Selected reserve program	24,202	72,000	105,000
10.00 Total obligations (object class 25.0)	24,203	75,000	120,000
Financing:			
Unobligated balance available, start of year:			
21.40 Treasury balance		—1	
21.40 U.S. securities (par)	—53,488	—236,782	—515,976
21.40 Unamortized premium (—) or discount, net	—7,420	—44,993	
Unobligated balance available, end of year:			
24.40 Treasury balance	1		
24.40 U.S. securities (par)	236,782	515,976	630,276
24.40 Unamortized premium or discount (—), net	44,993		
60.00 Budget authority (appropriation) (permanent, indefinite)	245,071	309,200	234,300
Relation of obligations to outlays:			
71.00 Obligations incurred, net	24,203	75,000	120,000
Unobligated balance available, start of year:			
72.40 U.S. securities (par)	4,000		
72.40 Unamortized premium or discount (—), net	557		
90.00 Outlays	28,760	75,000	120,000

## SUMMARY OF BUDGET AUTHORITY AND OUTLAYS

[In thousands of dollars]

	1986 actual	1987 est.	1988 est.
Enacted/requested:			
Budget authority	245,071	309,200	234,300
Outlays	28,760	75,000	120,000
Proposed for later transmittal under proposed legislation:			
Budget authority			48,800
Outlays			20,000
Total:			
Budget authority	245,071	309,200	283,100
Outlays	28,760	75,000	140,000

The 1985 Defense Authorization Bill, Public Law 98-525, provided for the accrual funding of certain new education benefits to be provided to active duty military personnel under the authority of Chapter 30, Title 38 U.S.C., and to Selected Reserve personnel under the authority of Chapter 106, Title 10 U.S.C. The fund is financed through: (a) actuarially-determined Government contributions from the Department of Defense military personnel appropriations; and (b) interest on investments. Funds are transferred to the Veterans Administration to make benefit payments to eligible personnel. The status of the fund is as follows:

## STATUS OF FUND

[In thousands of dollars]

	1986 actual	1987 est.	1988 est.
Unexpended balance, start of year:			
Cash		1	
U.S. securities:			
Par	57,488	236,782	515,976
Unamortized premiums/discounts (—) (including interest purchased)	7,977	44,993	
Total, U.S. securities	65,465	281,775	515,976
Balance of trust fund, start of year	65,465	281,776	515,976



## Cash income for the year:

Employer's contribution:			
Appropriation, DOD Military .....	232,148	281,500	198,140
Proposed legislation .....			47,900
Budget accounting adjustment .....	4,753		
Total, employer's contribution .....	236,901	281,500	246,040
Earnings on investments:			
Existing law .....	8,170	27,700	36,160
Proposed legislation .....			900
Total, earnings on investments .....	8,170	27,700	37,060
Total cash income .....	245,071	309,200	283,100
Cash outgo during the year:			
Benefit payments:			
Existing law .....	24,007	75,000	120,000
Proposed legislation .....			20,000
Budget accounting adjustment* .....	4,753		
Total cash outgo .....	28,760	75,000	140,000
Net income or outgo (—) .....	216,311	234,200	143,100
Unexpended balance, end of year:			
Cash .....	1		
U.S. securities:			
Par .....	236,782	515,976	659,076
Unamortized premiums/discounts (—) (including interest purchased) .....	44,993		
Total, U.S. securities .....	281,775	515,976	659,076
Balance of trust fund, end of year .....	281,776	515,976	659,076

\* Reflects accounting error that was corrected in fiscal year 1986.

## EDUCATION BENEFITS

(Proposed for later transmittal, proposed legislation)

## Program and Financing (in thousands of dollars)

Identification code 97-8098-2-7-702	1986 actual	1987 est.	1988 est.
<b>Program by activities:</b>			
10.00 Selected reserve program (total obligations) (object class 25.0) .....			20,000
<b>Financing:</b>			
24.40 Unobligated balance available, end of year: U.S. securities (par) .....			28,800
40.00 <b>Budget authority (appropriation)</b> .....			48,800
<b>Relation of obligations to outlays:</b>			
71.00 Obligations incurred, net .....			20,000
90.00 <b>Outlays</b> .....			20,000

Legislation will be proposed to extend this program after June 30, 1988 for purposes of initial program eligibility of active and reserve military personnel.

## SOLDIERS' AND AIRMEN'S HOME

## Trust Funds

## OPERATION AND MAINTENANCE

For maintenance and operation of the United States Soldiers' and Airmen's Home, to be paid from the Soldiers' and Airmen's Home permanent fund, [\$34,022,000] \$37,080,000: *Provided*, That this appropriation shall not be available for the payment of hospitalization of members of the Home in United States Army hospitals at rates in excess of those prescribed by the Secretary of the Army upon recommendation of the Board of Commissioners and the Surgeon General of the Army.

Note.—Public Laws 99-500 and 99-591, section 101(i), provide funds to the extent and in the manner provided for in the conference version of H.R. 5233; Departments of Labor, Health and Human Services, and Education, and Related Agencies Appropriations Act, 1987.

## Program and Financing (in thousands of dollars)

Identification code 84-8931-0-7-705	1986 actual	1987 est.	1988 est.
<b>Program by activities:</b>			
00.01 Direct program .....	33,174	35,154	37,080
01.01 Reimbursable program .....	115	144	144
10.00 Total obligations .....	33,289	35,298	37,224
<b>Financing:</b>			
14.00 Offsetting collections from: Non-Federal sources .....	—115	—144	—144
25.00 Unobligated balance lapsing .....	21		
39.00 <b>Budget authority</b> .....	33,196	35,154	37,080
<b>Budget authority:</b>			
40.00 <b>Appropriation</b> .....	33,196	34,022	37,080
<b>Transfer in for:</b>			
46.10 <b>Wage-board pay raises</b> .....		176	
46.20 <b>Civilian pay raises</b> .....		378	
46.40 <b>Retirement contributions (P.L. 99-335)</b> .....		578	
<b>Relation of obligations to outlays:</b>			
71.00 Obligations incurred, net .....	33,174	35,154	37,080
72.40 Obligated balance, start of year .....	4,221	7,792	8,070
74.40 Obligated balance, end of year .....	—7,792	—8,070	—8,379
77.00 Adjustments in expired accounts .....	—381		
89.00 <b>Outlays</b> .....	29,222	34,876	36,771
<b>Outlays:</b>			
90.00 Outlays, excluding pay and retirement supplementals .....	29,222	33,830	36,685
91.10 Outlays from wage-board pay raise supplemental .....		162	14
91.20 Outlays from civilian pay raise supplemental .....		350	28
91.40 Outlays from retirement contribution supplemental .....		534	44

The U.S. Soldiers' and Airmen's Home provides medical and domiciliary care and other authorized benefits for the relief and support of certain retired soldiers of the regular Army and airmen of the Air Force.

The average number of members receiving domiciliary and hospital care are shown below:

	1986 actual	1987 est.	1988 est.
Domiciliary care .....	1,702	1,730	1,730
Hospital care .....	367	370	370
<b>Total members</b> .....	2,069	2,100	2,100

## Object Classification (in thousands of dollars)

Identification code 84-8931-0-7-705	1986 actual	1987 est.	1988 est.
<b>Direct obligations:</b>			
Personnel compensation:			
11.1 Full-time permanent .....	18,739	19,882	20,126
11.3 Other than full-time permanent .....	1,195	1,325	1,342
11.5 Other personnel compensation .....	946	884	894
11.9 Total personnel compensation .....	20,880	22,091	22,362
12.1 Personnel benefits: Civilian .....	2,814	3,667	4,979
13.0 Benefits for former personnel .....	85	52	52
21.0 Travel and transportation of persons .....	9	7	8
22.0 Transportation of things .....		3	3
23.2 Rental payments to others .....	20		
23.3 Communications, utilities, and miscellaneous charges .....	1,149	1,281	1,328
24.0 Printing and reproduction .....	25	26	27
25.0 Other services .....	2,304	2,602	2,699
26.0 Supplies and materials .....	5,106	5,252	5,442
31.0 Equipment .....	734	173	180
32.0 Lands and structures .....	42		
42.0 Insurance claims and indemnities .....	6		
99.0 Subtotal, direct obligations .....	33,174	35,154	37,080
99.0 Reimbursable obligations .....	115	144	144
99.9 <b>Total obligations</b> .....	33,289	35,298	37,224

## Personnel Summary

## NONMEMBER EMPLOYEES

Total number of full-time permanent positions .....	767	796	801
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## OPERATION AND MAINTENANCE—Continued

## Personnel Summary—Continued

Total compensable workyears:			
Full-time equivalent employment .....	815	843	848
Full-time equivalent of overtime and holiday hours .....	15	16	16
<b>MEMBER EMPLOYEES</b>			
Total number of full-time permanent positions .....	161	159	159
Total compensable workyears:			
Full-time equivalent employment .....	200	189	189
Full-time equivalent of overtime and holiday hours .....	4	4	4

## [CAPITAL OUTLAYS]

[For construction and renovation of the physical plant, to be paid from the Soldiers' and Airmen's Home permanent fund, \$16,241,000, to remain available until expended.]

Note.—Public Laws 99-500 and 99-591, section 101(i), provide funds to the extent and in the manner provided for in the conference version of H.R. 5233, Departments of Labor, Health and Human Services, and Education, and Related Agencies Appropriations Act, 1987.

## Program and Financing (in thousands of dollars)

Identification code 84-8932-0-7-705	1986 actual	1987 est.	1988 est.
<b>Program by activities:</b>			
10.00 Total obligations (object class 32.0) .....	20,775	17,271	
<b>Financing:</b>			
21.40 Unobligated balance available, start of year .....	-9,823	-2,162	
24.40 Unobligated balance available, end of year .....	2,162		
39.00 <b>Budget authority</b> .....	13,114	15,109	
<b>Budget authority:</b>			
40.00 <b>Appropriation</b> .....	13,114	16,241	
45.00 <b>Transfers out for pay raises and retirement contributions</b> .....		-1,132	
<b>Relation of obligations to outlays:</b>			
71.00 Obligations incurred net .....	20,775	17,271	
72.40 Obligated balance, start of year .....	3,306	20,218	25,297
74.40 Obligated balance, end of year .....	-20,218	-25,297	-19,201
90.00 <b>Outlays</b> .....	3,863	12,192	6,096

This appropriation finances renovation and construction of the physical plant of the U.S. Soldiers' and Airmen's Home.

## PAYMENT OF CLAIMS

## Program and Financing (in thousands of dollars)

Identification code 84-8930-0-7-705	1986 actual	1987 est.	1988 est.
<b>Program by activities:</b>			
10.00 Total obligations (object class 42.0) .....		5	5
<b>Financing:</b>			
60.00 <b>Budget authority (appropriation) (permanent, indefinite)</b> .....		5	5
<b>Relation of obligations to outlays:</b>			
71.00 Obligations incurred, net .....		5	5
90.00 <b>Outlays</b> .....		5	5

Refunds are made from the permanent fund of amounts of courts-martial fines and other charges erroneously deducted from the pay of soldiers and airmen after adjudication of claims therefor by the General Accounting Office.

## SOLDIERS' AND AIRMEN'S HOME PERMANENT FUND (TRUST FUND)

## Amounts Available for Appropriation (in thousands of dollars)

	1986 actual	1987 est.	1988 est.
Unappropriated balance, start of year .....	161,579	162,821	162,352
<b>Revenues:</b>			
Interest .....	12,946	14,500	14,000
Government receipts .....	30,128	30,544	30,549
Proprietary receipts .....	4,179	4,755	4,901
<b>Total available for appropriation</b> .....	208,832	212,620	211,802
<b>Appropriations:</b>			
Operation and maintenance .....	-33,196	-34,022	-37,080
Capital outlay .....	-13,114	-16,241	
Payment of certified claims .....		-5	-5
<b>Total appropriations</b> .....	-46,310	-50,268	-37,085
Unobligated balance returned to unappropriated receipts and reduction pursuant to P.L. 97-177 .....	299		
<b>Unappropriated balance, end of year</b> .....	162,821	162,352	174,717

This fund consists of receipts from fines, forfeitures, and stoppages of pay of regular enlisted personnel of the Army and Air Force, withholding not to exceed 50 cents per month from the pay of such personnel, estates of deceased soldiers and airmen, other receipts consisting largely of interest paid on the fund, and a fee charged to Home members.

## SOLDIERS' AND AIRMEN'S HOME REVOLVING FUND

## Program and Financing (in thousands of dollars)

Identification code 84-8463-0-8-705	1986 actual	1987 est.	1988 est.
<b>Program by activities:</b>			
10.00 Total obligations (object class 26.0) .....	521	508	508
<b>Financing:</b>			
13.00 Offsetting collections from: Trust funds .....	-544	-508	-508
21.98 Unobligated balance available, start of year: Fund balance .....	-103	-127	-127
24.98 Unobligated balance available, end of year: Fund balance .....	127	127	127
39.00 <b>Budget authority</b> .....			
<b>Relation of obligations to outlays:</b>			
71.00 Obligations incurred, net .....	-23		
72.98 Obligated balance, start of year: Fund balance .....	87	61	61
74.98 Obligated balance, end of year: Fund balance .....	-61	-61	-61
90.00 <b>Outlays</b> .....	3		

This fund finances, on a reimbursable basis, inventories of supplies and equipment for use in the operating activities of the Soldiers' and Airmen's Home. The fund does not finance the acquisition of major items of equipment.

FOREST AND WILDLIFE CONSERVATION,  
MILITARY RESERVATIONS

## Federal Funds

## General and special funds:

## FOREST PRODUCTS PROGRAM RESERVE ACCOUNT

## Program and Financing (in thousands of dollars)

Identification code 21-5285-0-2-302	1986 actual	1987 est.	1988 est.
<b>Program by activities:</b>			
10.00 Total obligations (object class 26.0) .....		1,377	1,500



<b>Financing:</b>				
21.40	Unobligated balance available, start of year .....	-1,205	-1,977	-1,000
24.40	Unobligated balance available, end of year.....	1,977	1,000	1,000
<hr/>				
60.00	Budget authority (appropriation) (permanent, indefinite) (special fund) .....	771	400	1,500
<hr/>				
<b>Relation of obligations to outlays:</b>				
71.00	Obligations incurred, net .....		1,377	1,500
72.40	Obligated balance, start of year .....		170	
74.40	Obligated balance, end of year .....	-170		
78.00	Adjustments in unexpired accounts .....		-170	
<hr/>				
90.00	Outlays .....	-170	1,377	1,500

Title 10 of United States Code 2665 authorizes the Department of Defense to retain all of its annual surplus forest products income. The funds may be used to reimburse unplanned expenses in forest management and forest improvement projects.

## WILDLIFE CONSERVATION

## Program and Financing (in thousands of dollars)

Identification code 97-5095-0-2-303		1986 actual	1987 est.	1988 est.
<b>Program by activities:</b>				
00.01	Department of the Army .....	1,124	1,570	1,430
00.02	Department of the Navy .....	142	200	252
00.03	Department of the Air Force .....	415	570	540
10.00	<b>Total obligations .....</b>	<b>1,681</b>	<b>2,340</b>	<b>2,222</b>
<b>Financing:</b>				
21.40	Unobligated balance available, start of year .....	-1,415	-1,466	-1,106
24.40	Unobligated balance available, end of year .....	1,466	1,106	904
60.00	<b>Budget authority (appropriation) (permanent, indefinite) (special fund) .....</b>	<b>1,732</b>	<b>1,980</b>	<b>2,020</b>
<b>Relation of obligations to outlays:</b>				
71.00	Obligations incurred, net .....	1,681	2,340	2,222
72.40	Obligated balance, start of year .....	685	726	866
74.40	Obligated balance, end of year .....	-726	-866	-838
90.00	<b>Outlays .....</b>	<b>1,641</b>	<b>2,200</b>	<b>2,250</b>

Distribution of budget authority by account:			
Department of the Army .....	1,209	1,320	1,340
Department of the Navy .....	103	210	230
Department of the Air Force .....	420	450	450
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Distribution of outlays by account:			
Department of the Army .....	1,193	1,500	1,450
Department of the Navy .....	88	200	250
Department of the Air Force .....	360	500	550

These appropriations provide for a program of development and conservation of fish and wildlife and the development of recreational facilities on military reservations. Proceeds from the sale of fishing and hunting permits are used for these programs on the 45 Army, 22 Navy and Marine Corps, and 42 Air Force bases charging such fees. These programs are carried out through cooperative plans agreed upon by the local representatives of the Secretary of Defense, the Secretary of the Interior, and the appropriate agency of the State in which the reservation is located.

## Object Classification (in thousands of dollars)

Identification code 97-5095-0-2-303		1986 actual	1987 est.	1988 est.
11.1	Personnel compensation: Full-time permanent .....	92	93	93
12.1	Personnel benefits: Civilian .....	14	14	14
21.0	Travel and transportation of persons .....	40	54	54
22.0	Transportation of things .....	10	15	15
23.3	Communications, utilities, and miscellaneous charges .....	3	4	5
24.0	Printing and reproduction .....	21	27	27
25.0	Other services .....	612	885	840
26.0	Supplies and materials .....	629	805	833
31.0	Equipment .....	188	293	202
32.0	Lands and structures .....	72	150	138
99.9	<b>Total obligations .....</b>	<b>1,681</b>	<b>2,340</b>	<b>2,222</b>

## Personnel Summary

Total number of full-time permanent positions .....	4	4	4
Total compensable workyears: Full-time equivalent employment .....	4	4	4



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## PART II

# SUPPLEMENTALS AND RESCISSIONS

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II-1

Pages II-1 through II-4, II-13 through II-56 & 57 (portions) have been extracted and reprinted in that order within.

The entire part may be referred to on pages II-1 through II-71 of "The Budget of the United States Government" (APPENDIX).



## EXPLANATION OF REQUESTS

This part contains supplemental appropriations requests for 1987 being proposed for congressional consideration in this budget. Requests for supplemental appropriations are usually made after enactment of regular appropriations. In cases where programs are funded under a continuing resolution, some requests are included to supplement the funding available under the resolution. Information is also included on proposals to rescind budget authority and to rescind or otherwise reduce the availability of other budgetary resources.

### PROPOSED SUPPLEMENTAL REQUESTS

Supplemental requests are shown as separate sections.

*Section I.*—Supplementals proposed in this budget for various purposes are presented in this section and usually include: suggested appropriation language, the related budget schedules, and the reasons for the requests. In some cases, language is proposed to reduce mandatory program levels (entitlements, for example) included in authorizing legislation. In such cases, separate budget schedules are not shown, but the reduced funding levels that would result are reflected in the regular budget schedules for the account in Part I. Language is also included to propose reductions in enacted direct loan and guaranteed loan limitations. A status of direct loans or status of guaranteed loans schedule will

show the changes in credit activity resulting from the lower limitation.

*Section II.*—Requests for pay supplementals in this section are in the form of suggested appropriations language. The amounts contained in the appropriations language also appear as separate line entries in the regular program and financing schedules in Part I.

*Section III.*—Requests for supplementals for increased retirement contributions due to enactment of the Federal Employees' Retirement System (FERS) Act of 1986, Public Law 99-335, are shown in the same manner as pay supplementals. Proposed appropriations language for the FERS requests is presented in this section and the amounts requested are identified on separate line entries in the Part I program and financing schedules.

### RESCISSION PROPOSALS

*Section IV.*—Under the provisions of the Impoundment Control Act of 1974 (Public Law 93-344), whenever the President proposes rescission of enacted appropriations, a special message must be sent to the Congress giving details of the proposal. Included in this part—for rescission proposals being made in conjunction with this budget—are related budget schedules, references to the special message being sent to the Congress, and explanations of the proposals.



# PROPOSED SUPPLEMENTALS AND RESCISSION PROPOSALS

## SUMMARY OF PROPOSED SUPPLEMENTALS AND RESCISSION PROPOSALS

1987 requests			1987 requests		
	1987 budget authority	Associated requests not affecting budget authority		1987 budget authority	Associated requests not affecting budget authority
PROPOSED SUPPLEMENTAL ACTIONS					
SECTION I—PROPOSED SUPPLEMENTAL APPROPRIATIONS FOR VARIOUS PROGRAMS [EXCLUDING REQUESTS FOR INCREASED PAY AND RETIREMENT CONTRIBUTION COSTS]					
Legislative branch.....	16,363,000				
The Judiciary.....	62,000,000				
Funds Appropriated to the President.....	1,150,847,000				
Department of Agriculture.....	—1,769,084,000				
Department of Commerce.....	38,520,000				
Department of Defense—Military.....	2,792,600,000				
Department of Defense—Civil.....		transfer language			
Department of Education.....		—6,000,000			
Department of Health and Human Services.....	382,404,000	—33,583,000			
Department of Housing and Urban Development.....	—5,393,000				
Department of the Interior.....	22,431,000				
Department of Justice.....	205,530,000				
Department of Labor.....	—79,177,000	—90,000,000			
Department of State.....	95,950,000				
Department of Transportation.....	86,717,000	86,000,000			
Department of the Treasury.....	93,800,000				
General Services Administration.....		language			
Small Business Administration.....	4,116,000				
Veterans Administration.....	80,200,000				
Other independent agencies.....	122,639,000				
Total, Section I.....	3,300,463,000	—43,583,000			
SECTION II—INCREASED PAY COSTS FOR THE FISCAL YEAR 1987					
Legislative branch.....	33,928,000				
The Judiciary.....	16,960,000				
Executive Office of the President.....	743,000				
Funds Appropriated to the President.....	2,617,000				
Department of Agriculture.....		30,177,000			
Department of Commerce.....		transfer language			
Department of Defense—Military.....	12,703,000				
Department of Defense—Civil.....		2,354,000			
Department of Energy.....		transfer language			
Department of Health and Human Services.....	2,200,000	18,306,000			
Department of the Interior.....		642,000			
Department of Justice.....	29,476,000				
Department of Labor.....	708,000				
Department of State.....	6,900,000				
Department of Transportation.....		24,293,000			
Department of the Treasury.....	2,789,000				
Environmental Protection Agency.....		12,400,000			
National Aeronautics and Space Administration.....		24,877,000			
Small Business Administration.....		2,000,000			
Veterans Administration.....	77,290,000				
SECTION III—INCREASED COSTS FOR RETIREMENT CONTRIBUTIONS (P.L. 99-335)					
Legislative branch.....	54,494,000				
The Judiciary.....	11,277,000				
Executive Office of the President.....	1,635,000				
Funds Appropriated to the President.....	6,241,000				
Department of Agriculture.....		31,079,000			
Department of Commerce.....	15,130,000				
Department of Defense—Military.....	564,585,000				
Department of Defense—Civil.....	74,000	1,978,000			
Department of Energy.....		transfer language			
Department of Health and Human Services.....		9,083,000			
Department of the Interior.....		701,000			
Department of Justice.....	68,651,000				
Department of Labor.....	494,000	1,659,000			
Department of State.....	16,734,000				
Department of Transportation.....		12,139,000			
Department of the Treasury.....	122,027,000				
Environmental Protection Agency.....		10,000,000			
National Aeronautics and Space Administration.....		16,557,000			
Small Business Administration.....		2,400,000			
Veterans Administration.....	142,211,000				
Other independent agencies.....	15,210,000				
Total, Section III.....	1,018,763,000	85,596,000			
SECTION IV—RESCISSION PROPOSALS					
Department of Agriculture.....	—475,207,000	—20,845,000			
Department of Commerce.....	—215,066,000	—44,157,000			
Department of Defense—Military.....	—133,750,000				
Department of Defense—Civil.....		—7,715,000			
Department of Education.....	—2,476,422,000	—4,427,000			
Department of Energy.....	—210,197,000				
Department of Health and Human Services.....	—199,671,000	—31,744,000			
Department of Housing and Urban Development.....	—1,066,455,000	—42,100,000			
Department of the Interior.....	—302,737,000				
Department of Justice.....	—24,598,000				
Department of Labor.....	—332,000,000				
Department of the Treasury.....	—62,395,000				
Environmental Protection Agency.....	—50,000,000				
National Aeronautics and Space Administration.....	—25,796,000				
Veterans Administration.....	—75,000,000				
Other independent agencies.....	—35,468,000				
Total, Section IV.....	—5,684,762,000	—150,989,000			
Grand total.....	—1,169,386,000	141,541,000			



**DETAILS OF PROPOSED SUPPLEMENTAL APPROPRIATIONS FOR THE FISCAL YEAR ENDING SEPTEMBER 30, 1987**

*Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That the following sums are appropriated out of any money in the Treasury not otherwise appropriated to supply supplemental appropriations for the fiscal year ending September 30, 1987 and for other purposes; namely:*

**SECTION I—PROPOSED SUPPLEMENTAL APPROPRIATIONS FOR VARIOUS PROGRAMS (EXCLUDING REQUESTS FOR INCREASED PAY AND RETIREMENT CONTRIBUTION COSTS)**



## Department of Defense—Military MILITARY PERSONNEL

### MILITARY PERSONNEL, ARMY

(Supplemental now requested, existing legislation)

For an additional amount for "Military personnel, Army", \$187,089,000.

#### Program and Financing (in thousands of dollars)

Identification code	21-2010-1-1-051	1986 actual	1987 est.	1988 est.	1989 est.
<b>Program by activities:</b>					
00.01	Pay and allowances of officers.....		38,700		
00.02	Pay and allowances of enlisted.....		148,389		
10.00	Total obligations.....		187,089		
<b>Financing:</b>					
40.00	Budget authority (appropriation).....		187,089		
<b>Relation of obligations to outlays:</b>					
71.00	Obligations incurred, net.....		187,089		
90.00	Outlays.....		187,089		

#### Object Classification (in thousands of dollars)

11.7	Personnel compensation: Military personnel.....	20,053		
	Personnel benefits: Military personnel:			
12.2	Accrued retirement benefits.....	10,161		
12.2	Other personnel benefits.....	156,875		
99.9	Total obligations.....	187,089		

### MILITARY PERSONNEL, NAVY

(Supplemental now requested, existing legislation)

For an additional amount for "Military personnel, Navy", \$62,953,000.

#### Program and Financing (in thousands of dollars)

Identification code	17-1453-1-1-051	1986 actual	1987 est.	1988 est.	1989 est.
<b>Program by activities:</b>					
10.00	Pay and allowances of enlisted personnel (total obligations).....		62,953		
<b>Financing:</b>					
40.00	Budget authority (appropriation).....		62,953		
<b>Relation of obligations to outlays:</b>					
71.00	Obligations incurred, net.....		62,953		
90.00	Outlays.....		62,953		

#### Object Classification (in thousands of dollars)

11.7	Personnel compensation: Military personnel.....	54,404		
	Personnel benefits: Military personnel:			
12.2	Accrued retirement benefits.....	7,519		
12.2	Other personnel benefits.....	1,030		
99.9	Total obligations.....	62,953		

### MILITARY PERSONNEL, MARINE CORPS

(Supplemental now requested, existing legislation)

For an additional amount for "Military personnel, Marine Corps", \$39,820,000.

#### Program and Financing (in thousands of dollars)

Identification code	17-1105-1-1-051	1986 actual	1987 est.	1988 est.	1989 est.
<b>Program by activities:</b>					
00.01	Pay and allowances of officers.....		6,535		

00.02	Pay and allowances of enlisted.....	33,285		
10.00	Total obligations.....	39,820		
<b>Financing:</b>				
40.00	Budget authority (appropriation).....	39,820		
<b>Relation of obligations to outlays:</b>				
71.00	Obligations incurred, net.....	39,820		
90.00	Outlays.....	39,820		

#### Object Classification (in thousands of dollars)

11.7	Personnel compensation: Military personnel.....	7,300		
12.2	Personnel benefits: Military personnel:			
	Other personnel benefits.....	32,520		
99.9	Total obligations.....	39,820		

### MILITARY PERSONNEL, AIR FORCE

(Supplemental now requested, existing legislation)

For an additional amount for "Military personnel, Air Force", \$140,273,000.

#### Program and Financing (in thousands of dollars)

Identification code	57-3500-1-1-051	1986 actual	1987 est.	1988 est.	1989 est.
<b>Program by activities:</b>					
00.01	Pay and allowances of officers.....		28,235		
00.02	Pay and allowances of enlisted.....		112,035		
10.00	Total obligations.....		140,273		
<b>Financing:</b>					
40.00	Budget authority (appropriation).....		140,273		
<b>Relation of obligations to outlays:</b>					
71.00	Obligations incurred, net.....		140,273		
90.00	Outlays.....		140,273		

#### Object Classification (in thousands of dollars)

11.7	Personnel compensation: Military personnel.....	15,423		
	Personnel benefits: Military personnel:			
12.2	Accrued retirement benefits.....	11,950		
12.2	Other personnel benefits.....	112,900		
99.9	Total obligations.....	140,273		

### RESERVE PERSONNEL, ARMY

(Supplemental now requested, existing legislation)

For an additional amount for "Reserve personnel, Army", \$2,915,000.

#### Program and Financing (in thousands of dollars)

Identification code	21-2070-1-1-051	1986 actual	1987 est.	1988 est.	1989 est.
<b>Program by activities:</b>					
10.00	Other training and support (total obligations) (object class 11.7).....		2,915		
<b>Financing:</b>					
40.00	Budget authority (appropriation).....		2,915		
<b>Relation of obligations to outlays:</b>					
71.00	Obligations incurred, net.....		2,915		
90.00	Outlays.....		2,915		

### RESERVE PERSONNEL, NAVY

(Supplemental now requested, existing legislation)

For an additional amount for "Reserve personnel, Navy", \$2,128,000.



**RESERVE PERSONNEL, NAVY—Continued****Program and Financing (in thousands of dollars)**

Identification code	17-1405-1-1-051	1986 actual	1987 est.	1988 est.	1989 est.
<b>Program by activities:</b>					
00.01	Unit and individual training .....		917		
00.02	Other training and support .....		1,211		
10.00	Total obligations .....		2,128		
<b>Financing:</b>					
40.00	Budget authority (appropriations) .....		2,128		
<b>Relation of obligations to outlays:</b>					
71.00	Obligations incurred, net .....		2,128		
90.00	Outlays .....		2,128		

**Object Classification (in thousands of dollars)**

11.7	Personnel compensation: Military personnel .....	2,003		
12.2	Personnel benefits: Military personnel: Other personnel benefits .....	125		
99.9	Total obligations .....	2,128		

**RESERVE PERSONNEL, MARINE CORPS**

(Supplemental now requested, existing legislation)

For an additional amount for "Reserve personnel, Marine Corps", \$360,000.

**Program and Financing (in thousands of dollars)**

Identification code	17-1108-1-1-051	1986 actual	1987 est.	1988 est.	1989 est.
<b>Program by activities:</b>					
10.00	Unit and individual training (total obligations) (object class 11.7) .....		360		
<b>Financing:</b>					
40.00	Budget authority (appropriation) .....		360		
<b>Relation of obligations to outlays:</b>					
71.00	Obligations incurred, net .....		360		
90.00	Outlays .....		360		

**RESERVE PERSONNEL, AIR FORCE**

(Supplemental now requested, existing legislation)

For an additional amount for "Reserve personnel, Air Force", \$701,000.

**Program and Financing (in thousands of dollars)**

Identification code	57-3700-1-1-051	1986 actual	1987 est.	1988 est.	1989 est.
<b>Program by activities:</b>					
00.01	Unit and individual training .....		471		
00.02	Other training and support .....		230		
10.00	Total obligations (object class 11.7) .....		701		
<b>Financing:</b>					
40.00	Budget authority (appropriation) .....		701		
<b>Relation of obligations to outlays:</b>					
71.00	Obligations incurred, net .....		701		
90.00	Outlays .....		701		

**NATIONAL GUARD PERSONNEL, ARMY**

(Supplemental now requested, existing legislation)

For an additional amount for "National Guard personnel, Army", \$4,326,000.

**Program and Financing (in thousands of dollars)**

Identification code	21-2060-1-1-051	1986 actual	1987 est.	1988 est.	1989 est.
<b>Program by activities:</b>					
10.00	Other training and support (total obligations) (object class 11.7) .....		4,326		
<b>Financing:</b>					
40.00	Budget authority (appropriation) .....		4,326		
<b>Relation of obligations to outlays:</b>					
71.00	Obligations incurred, net .....		4,326		
90.00	Outlays .....		4,326		

**NATIONAL GUARD PERSONNEL, AIR FORCE**

(Supplemental now requested, existing legislation)

For an additional amount for "National Guard personnel, Air Force", \$1,335,000.

**Program and Financing (in thousands of dollars)**

Identification code	57-3850-1-1-051	1986 actual	1987 est.	1988 est.	1989 est.
<b>Program by activities:</b>					
00.01	Unit and individual training .....		737		
00.02	Other training and support .....		598		
10.00	Total obligations .....		1,335		
<b>Financing:</b>					
40.00	Budget authority (appropriation) .....		1,335		
<b>Relation of obligations to outlays:</b>					
71.00	Obligations incurred, net .....		1,335		
90.00	Outlays .....		1,335		

**Object Classification (in thousands of dollars)**

11.7	Personnel compensation: Military personnel .....	1,012		
	Personnel benefits: Military personnel:			
12.2	Accrued retirement benefits .....	288		
12.2	Other personnel benefits .....	35		
99.9	Total obligations .....	1,335		

**OPERATION AND MAINTENANCE****OPERATION AND MAINTENANCE, ARMY**

(Supplemental now requested, additional authorizing legislation required)

For an additional amount for "Operation and maintenance, Army", \$75,000,000.

**Program and Financing (in thousands of dollars)**

Identification code	21-2020-4-1-051	1986 actual	1987 est.	1988 est.	1989 est.
<b>Program by activities:</b>					
10.00	General purpose forces (total obligations) (object class 25.0) .....		75,000		
<b>Financing:</b>					
40.00	Budget authority (appropriation) .....		75,000		
<b>Relation of obligations to outlays:</b>					
71.00	Obligations incurred, net .....		75,000		
90.00	Outlays .....		75,000		



## OPERATION AND MAINTENANCE, NAVY

(Supplemental now requested, additional authorizing legislation required)

For an additional amount for "Operation and maintenance, Navy", \$120,000,000.

## Program and Financing (in thousands of dollars)

Identification code	17-1804-4-1-051	1986 actual	1987 est.	1988 est.	1989 est.
<b>Program by activities:</b>					
00.01	Strategic forces .....		12,500		
00.02	General purpose forces .....		107,500		
10.00	Total obligations (object class 25.0) .....		120,000		
<b>Financing:</b>					
40.00	Budget authority (appropriation) .....		120,000		
<b>Relation of obligations to outlays:</b>					
71.00	Obligations incurred, net .....		120,000		
90.00	Outlays .....		120,000		

## OPERATION AND MAINTENANCE, AIR FORCE

(Supplemental now requested, additional authorizing legislation required)

For an additional amount for "Operation and maintenance, Air Force", \$21,000,000.

## Program and Financing (in thousands of dollars)

Identification code	57-3400-4-1-051	1986 actual	1987 est.	1988 est.	1989 est.
<b>Program by activities:</b>					
00.01	Strategic forces .....		13,000		
00.02	General purpose forces .....		7,000		
00.04	Airlift and sealift .....		1,000		
10.00	Total obligations (object class 25.0) .....		21,000		
<b>Financing:</b>					
40.00	Budget authority (appropriation) .....		21,000		
<b>Relation of obligations to outlays:</b>					
71.00	Obligations incurred, net .....		21,000		
90.00	Outlays .....		21,000		

## OPERATION AND MAINTENANCE, DEFENSE AGENCIES

(Supplemental now requested, additional authorizing legislation required)

For an additional amount for "Operation and maintenance, Defense Agencies", \$357,000,000.

## Program and Financing (in thousands of dollars)

Identification code	97-0100-4-1-051	1986 actual	1987 est.	1988 est.	1989 est.
<b>Program by activities:</b>					
00.02	General purpose forces: Joint Chiefs of Staff .....		17,000		
00.08	Training, medical, and other general personnel activities: Civilian health and medical program of the uniformed services .....		340,000		
10.00	Total obligations (object class 25.0) .....		357,000		
<b>Financing:</b>					
40.00	Budget authority (appropriation) .....		357,000		
<b>Relation of obligations to outlays:</b>					
71.00	Obligations incurred, net .....		357,000		
90.00	Outlays .....		357,000		

## OPERATION AND MAINTENANCE, ARMY RESERVE

(Supplemental now requested, additional authorizing legislation required)

For an additional amount for "Operation and maintenance, Army Reserve", \$15,000,000.

## Program and Financing (in thousands of dollars)

Identification code	21-2080-4-1-051	1986 actual	1987 est.	1988 est.	1989 est.
<b>Program by activities:</b>					
10.00	Mission forces (total obligations) .....		15,000		
<b>Financing:</b>					
40.00	Budget authority (appropriation) .....		15,000		
<b>Relation of obligations to outlays:</b>					
71.00	Obligations incurred, net .....		15,000		
90.00	Outlays .....		15,000		
<b>Object Classification (in thousands of dollars)</b>					
26.0	Supplies and materials .....		8,700		
31.0	Equipment .....		6,300		
99.9	Total obligations .....		15,000		

## OPERATION AND MAINTENANCE, NAVY RESERVE

(Supplemental now requested, additional authorizing legislation required)

For an additional amount for "Operation and maintenance, Navy Reserve", \$5,000,000.

## Program and Financing (in thousands of dollars)

Identification code	17-1806-4-1-051	1986 actual	1987 est.	1988 est.	1989 est.
<b>Program by activities:</b>					
10.00	Mission forces (total obligations) (object class 26.0) .....		5,000		
<b>Financing:</b>					
40.00	Budget authority (appropriation) .....		5,000		
<b>Relation of obligations to outlays:</b>					
71.00	Obligations incurred, net .....		5,000		
90.00	Outlays .....		5,000		

## OPERATION AND MAINTENANCE, ARMY NATIONAL GUARD

(Supplemental now requested, additional authorizing legislation required)

For an additional amount for "Operation and maintenance, Army National Guard", \$10,000,000.

## Program and Financing (in thousands of dollars)

Identification code	21-2065-4-1-051	1986 actual	1987 est.	1988 est.	1989 est.
<b>Program by activities:</b>					
10.00	Total obligations (object class 11.1) .....		10,000		
<b>Financing:</b>					
40.00	Budget authority (appropriation) .....		10,000		
<b>Relation of obligations to outlays:</b>					
71.00	Obligations incurred, net .....		10,000		
90.00	Outlays .....		10,000		



**PROCUREMENT****PROCUREMENT OF AMMUNITION, ARMY**

(Supplemental now requested, additional authorizing legislation required)

For an additional amount for "Procurement of ammunition, Army", \$40,000,000.

**Program and Financing (in thousands of dollars)**

Identification code	21-2034-4-1-051	1986 actual	1987 est.	1988 est.	1989 est.
<b>Program by activities:</b>					
10.00	Ammunition (total obligations) (object class 26.0)		17,600	12,800	9,600
<b>Financing:</b>					
21.40	Unobligated balance available, start of year: For completion of prior year budget plans			-22,400	-9,600
24.40	Unobligated balance available, end of year: For completion of prior year budget plans		22,400	9,600	
40.00	Budget authority (appropriation)		40,000		
<b>Relation of obligations to outlays:</b>					
71.00	Obligations incurred, net		17,600	12,800	9,600
72.40	Obligated balance, start of year			14,420	16,172
74.40	Obligated balance, end of year		-14,420	-16,172	-18,496
90.00	Outlays		3,180	11,048	7,276

**Budget Plan (in thousands of dollars)**

(amount for procurement actions programmed)

07.01	Ammunition—Total budget plan		40,000		
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**OTHER PROCUREMENT, NAVY**

(Supplemental now requested, additional authorizing legislation required)

For an additional amount for "Other procurement, Navy", \$40,000,000.

**Program and Financing (in thousands of dollars)**

Identification code	17-1810-4-1-051	1986 actual	1987 est.	1988 est.	1989 est.
<b>Program by activities:</b>					
00.03	Aviation support equipment		12,000	10,300	7,700
00.04	Ordnance support equipment		3,000	3,500	3,500
10.00	Total obligations (object class 31.0)		15,000	13,800	11,200
<b>Financing:</b>					
21.40	Unobligated balance available, start of year: For completion of prior year budget plans			-25,000	-11,200
24.40	Unobligated balance available, end of year: For completion of prior year budget plans		25,000	11,200	
40.00	Budget authority (appropriation)		40,000		
<b>Relation of obligations to outlays:</b>					
71.00	Obligations incurred, net		15,000	13,800	11,200
72.40	Obligated balance, start of year			13,950	21,602
74.40	Obligated balance, end of year		-13,950	-21,602	-20,726
90.00	Outlays		1,050	6,148	12,076

**Budget Plan (in thousands of dollars)**

(amount for procurement actions programmed)

07.03	Aviation support equipment		30,000		
07.04	Ordnance support equipment		10,000		
08.93	Total budget plan		40,000		

**AIRCRAFT PROCUREMENT, AIR FORCE**

(Supplemental now requested, additional authorizing legislation required)

For an additional amount for "Aircraft procurement, Air Force", \$313,700,000.

**Program and Financing (in thousands of dollars)**

Identification code	57-3010-4-1-51	1986 actual	1987 est.	1988 est.	1989 est.
<b>Program by activities:</b>					
00.01	Combat aircraft		29,069	24,247	24,984
00.05	Modification of in-service aircraft		64,000	53,000	55,600
00.06	Aircraft spares and repair parts		23,000	20,000	19,800
10.00	Total obligations (object class 31.0)		116,069	97,247	100,384
<b>Financing:</b>					
21.40	Unobligated balance available, start of year: For completion of prior year budget plans			-197,631	-100,384
24.40	Unobligated balance available, end of year: For completion of prior year budget plans		197,631	100,384	
40.00	Budget authority (appropriation)		313,700		
<b>Relation of obligations to outlays:</b>					
71.00	Obligations incurred, net		116,069	97,247	100,384
72.40	Obligated balance, start of year			110,769	163,188
74.40	Obligated balance, end of year		-110,769	-163,188	-153,369
90.00	Outlays		5,300	44,828	110,203

**Budget Plan (in thousands of dollars)**

(amount for procurement actions programmed)

07.01	Combat aircraft		78,300		
07.05	Modification of in-service aircraft		172,600		
07.06	Aircraft spares and repair parts		62,800		
08.93	Total budget plan		313,700		

**OTHER PROCUREMENT, AIR FORCE**

(Supplemental now requested, additional authorizing legislation required)

For an additional amount for "Other procurement, Air Force", \$160,000,000.

**Program and Financing (in thousands of dollars)**

Identification code	57-3080-4-1-051	1986 actual	1987 est.	1988 est.	1989 est.
<b>Program by activities:</b>					
10.00	Munitions and associated equipment (total obligations) (object class 31.0)		49,600	63,040	47,360
<b>Financing:</b>					
21.40	Unobligated balance available, start of year: For completion of prior year budget plans			-110,400	-47,360
24.40	Unobligated balance available, end of year: For completion of prior year budget plans		110,400	47,360	
40.00	Budget authority (appropriation)		160,000		
<b>Relation of obligations to outlays:</b>					
71.00	Obligations incurred, net		49,600	63,040	47,360
72.40	Obligated balance, start of year			42,800	74,032
74.40	Obligated balance, end of year		-42,800	-74,032	-75,792
90.00	Outlays		6,800	31,808	45,600

**Budget Plan (in thousands of dollars)**

(amount for procurement actions programmed)

07.01	Munitions and associated equipment (total budget plan)		160,000		
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**CHEMICAL AGENTS AND MUNITIONS DESTRUCTION, DEFENSE**  
(Supplemental now requested, additional authorizing legislation required)

For an additional amount for "Chemical agents and munitions destruction", \$250,000,000.

**Program and Financing (in thousands of dollars)**

Identification code	97-0390-4-1-051	1986 actual	1987 est.	1988 est.	1989 est.
<b>Program by activities:</b>					
10.00	Total obligations (object class 25.0)		103,250	88,550	58,200
<b>Financing:</b>					
21.40	Unobligated balance available, start of year: For completion of prior year budget plans			-146,750	-58,200
24.40	Unobligated balance available, end of year: For completion of prior year budget plans		146,750	58,200	
40.00	Budget authority (appropriation)		250,000		
<b>Relation of obligations to outlays:</b>					
71.00	Obligations incurred, net		103,250	88,550	58,200
72.40	Obligated balance, start of year			87,000	103,050
74.40	Obligated balance, end of year		-87,000	-103,050	-77,500
90.00	Outlays		16,250	72,500	83,750
<b>Budget Plan (in thousands of dollars)</b> (amount for procurement actions programmed)					
07.02	Procurement—Total budget plan		250,000		

**RESEARCH, DEVELOPMENT, TEST, AND EVALUATION**

**RESEARCH, DEVELOPMENT, TEST, AND EVALUATION, ARMY**  
(Supplemental now requested, additional authorizing legislation required)

For an additional amount for "Research, development, test, and evaluation, Army", \$43,000,000.

**Program and Financing (in thousands of dollars)**

Identification code	21-2040-4-1-051	1986 actual	1987 est.	1988 est.	1989 est.
<b>Program by activities:</b>					
10.00	Defensewide mission support (total obligations) (object class 25.0)		29,993	13,007	
<b>Financing:</b>					
21.40	Unobligated balance available, start of year: For completion of prior year budget plans			-13,007	
24.40	Unobligated balance available, end of year: For completion of prior year budget plans		13,007		
40.00	Budget authority (appropriation)		43,000		
<b>Relation of obligations to outlays:</b>					
71.00	Obligations incurred, net		29,993	13,007	
72.40	Obligated balance, start of year			24,723	17,903
74.40	Obligated balance, end of year		-24,723	-17,903	-4,809
90.00	Outlays		5,270	19,827	13,094
<b>Budget Plan (in thousands of dollars)</b> (amount for research, development, test, and evaluation actions programmed)					
07.06	Defensewide mission support (total budget plan)		43,000		

**RESEARCH, DEVELOPMENT, TEST, AND EVALUATION, NAVY**  
(Supplemental now requested, additional authorizing legislation required)

For an additional amount for "Research, development, test, and evaluation, Navy", \$29,000,000.

**Program and Financing (in thousands of dollars)**

Identification code	17-1319-4-1-051	1986 actual	1987 est.	1988 est.	1989 est.
<b>Program by activities:</b>					
00.04	Tactical programs		7,125	2,875	
00.06	Defensewide mission support		13,538	5,462	
10.00	Total obligations (object class 25.0)		20,663	8,337	
<b>Financing:</b>					
21.40	Unobligated balance available, start of year: For completion of prior year budget plans			-8,337	
24.40	Unobligated balance available, end of year: For completion of prior year budget plans		8,337		
40.00	Budget authority (appropriation)		29,000		
<b>Relation of obligations to outlays:</b>					
71.00	Obligations incurred, net		20,663	8,337	
72.40	Obligated balance, start of year			16,673	10,437
74.40	Obligated balance, end of year		-16,673	-10,437	-2,172
90.00	Outlays		3,990	14,573	8,265

**Budget Plan (in thousands of dollars)**

(amount for research, development, test, and evaluation actions programmed)

07.04	Tactical programs		10,000		
07.06	Defensewide mission support		19,000		
08.93	Total budget plan		29,000		

**RESEARCH, DEVELOPMENT, TEST, AND EVALUATION, AIR FORCE**  
(Supplemental now requested, additional authorizing legislation required)

For an additional amount for "Research, development, test, and evaluation, Air Force", \$28,000,000.

**Program and Financing (in thousands of dollars)**

Identification code	57-3600-4-1-051	1986 actual	1987 est.	1988 est.	1989 est.
<b>Program by activities:</b>					
00.04	Tactical programs		9,450	4,550	
00.06	Defensewide mission support		9,450	4,550	
10.00	Total obligations (object class 25.0)		18,900	9,100	
<b>Financing:</b>					
21.40	Unobligated balance available, start of year: For completion of prior year budget plans			-9,100	
24.40	Unobligated balance available, end of year: For completion of prior year budget plans		9,100		
40.00	Budget authority (appropriation)		28,000		
<b>Relation of obligations to outlays:</b>					
71.00	Obligations incurred, net		18,900	9,100	
72.40	Obligated balance, start of year			15,190	10,604
74.40	Obligated balance, end of year		-15,190	-10,604	-2,414
90.00	Outlays		3,710	13,686	8,190



### RESEARCH, DEVELOPMENT, TEST, AND EVALUATION, AIR FORCE— Continued

#### Budget Plan (in thousands of dollars)

(amount for research, development, test, and evaluation actions programmed)

07.04	Tactical programs.....	14,000		
07.06	Defensewide mission support.....	14,000		
08.93	Total budget plan.....	28,000		

### RESEARCH, DEVELOPMENT, TEST, AND EVALUATION, DEFENSE AGENCIES

(Supplemental now requested, additional authorizing legislation required)

For an additional amount for "Research, development, test, and evaluation, Defense Agencies", \$518,000,000.

#### Program and Financing (in thousands of dollars)

Identification code	97-0400-4-1-051	1986 actual	1987 est.	1988 est.	1989 est.
<b>Program by activities:</b>					
00.02	Advanced technology development.....		346,900	153,100	
00.06	Defensewide mission support.....		12,488	5,512	
10.00	Total obligations (object class 25.0).....		359,388	158,612	
<b>Financing:</b>					
21.40	Unobligated balance available, start of year: For completion of prior year budget plans.....			-158,612	
24.40	Unobligated balance available, end of year: For completion of prior year budget plans.....		158,612		
40.00	Budget authority (appropriation).....		518,000		
<b>Relation of obligations to outlays:</b>					
71.00	Obligations incurred, net.....		359,388	158,612	
72.40	Obligated balance, start of year.....			295,258	208,183
74.40	Obligated balance, end of year.....		-295,258	-208,183	-41,128
90.00	Outlays.....		64,130	245,687	167,055

#### Budget Plan (in thousands of dollars)

(amount for research, development, test, and evaluation actions programmed)

07.02	Advanced technology development.....	500,000		
07.06	Defensewide mission support.....	18,000		
08.93	Total budget plan.....	518,000		

### DEVELOPMENTAL TEST AND EVALUATION, DEFENSE

(Supplemental now requested, additional authorizing legislation required)

For an additional amount for "Developmental test and evaluation, Defense", \$30,000,000.

#### Program and Financing (in thousands of dollars)

Identification code	97-0450-4-1-051	1986 actual	1987 est.	1988 est.	1989 est.
<b>Program by activities:</b>					
10.00	Defensewide mission support (total obligations) (object class 25.0).....		16,875	13,125	
<b>Financing:</b>					
21.40	Unobligated balance available, start of year: For completion of prior year budget plans.....			-13,125	
24.40	Unobligated balance available, end of year: For completion of prior year budget plans.....		13,125		
40.00	Budget authority (appropriation).....		30,000		

<b>Relation of obligations to outlays:</b>					
71.00	Obligations incurred, net.....	16,875	13,125		
72.40	Obligated balance, start of year.....		14,736	17,661	
74.40	Obligated balance, end of year.....	-14,736	-17,661	-5,100	
90.00	Outlays.....	2,139	10,200	12,561	

#### Budget Plan (in thousands of dollars)

(amount for research, development, test, and evaluation actions programmed)

07.06	Defensewide mission support—Total budget plan.....	30,000		
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### OPERATIONAL TEST AND EVALUATION, DEFENSE

(Supplemental now requested, additional authorizing legislation required)

For an additional amount for "Operational test and evaluation, Defense", \$46,000,000.

#### Program and Financing (in thousands of dollars)

Identification code	97-0460-4-1-051	1986 actual	1987 est.	1988 est.	1989 est.
<b>Program by activities:</b>					
10.00	Defensewide mission support (total obligations) (object class 25.0).....		31,050	14,950	
<b>Financing:</b>					
21.40	Unobligated balance available, start of year: For completion of prior year budget plans.....			-14,950	
24.40	Unobligated balance available, end of year: For completion of prior year budget plans.....		14,950		
40.00	Budget authority (appropriation).....		46,000		
<b>Relation of obligations to outlays:</b>					
71.00	Obligations incurred, net.....		31,050	14,950	
72.40	Obligated balance, start of year.....			27,770	27,080
74.40	Obligated balance, end of year.....		-27,770	-27,080	-7,820
90.00	Outlays.....		3,280	15,640	19,260

#### Budget Plan (in thousands of dollars)

(amount for research, development, test, and evaluation actions programmed)

07.06	Defensewide mission support—Total budget plan.....	46,000		
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## MILITARY CONSTRUCTION

### MILITARY CONSTRUCTION, ARMY

(Supplemental now requested, additional authorizing legislation required)

For an additional amount for "Military construction, Army", \$250,000,000.

#### Program and Financing (in thousands of dollars)

Identification code	21-2050-4-1-051	1986 actual	1987 est.	1988 est.	1989 est.
<b>Program by activities:</b>					
10.00	Major construction (total obligations) (object class 32.0).....		100,000	98,500	40,250
<b>Financing:</b>					
21.40	Unobligated balance available, start of year: For completion of prior year budget plans.....			-150,000	-51,500
24.40	Unobligated balance available, end of year: For completion of prior year budget plans.....		150,000	51,500	11,250
40.00	Budget authority (appropriation).....		250,000		



Relation of obligations to outlays:				
71.00	Obligations incurred, net.....	100,000	98,500	40,250
72.40	Obligated balance, start of year.....		87,500	121,450
74.40	Obligated balance, end of year.....	-87,500	-121,450	-68,125
90.00	Outlays.....	12,500	64,550	93,575

**Budget Plan (in thousands of dollars)**

(amount for construction actions programmed)

07.01	Major construction—Total budget plan.....	250,000	.....	.....
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These proposals would provide for military compensation, for readiness and other critical needs of the Department of Defense.



## DEPARTMENT OF DEFENSE—CIVIL

Corps of Engineers, Civil: "General expenses", \$1,832,000, to be derived by transfer from "Construction, General".

Soldiers' and Airmen's Home: "Operation and maintenance", \$378,000, to be derived by transfer from "Capital outlays".

## SECTION II—INCREASED PAY COST FOR THE FISCAL YEAR 1987

For additional amounts for appropriations for the fiscal year 1987, for increased pay cost authorized by or pursuant to law as follows:

## DEPARTMENT OF DEFENSE—MILITARY

## Operation and Maintenance:

"Operation and Maintenance, Army", \$2,679,000;  
 "Operation and Maintenance, Navy", \$3,350,000;  
 "Operation and Maintenance, Marine Corps", \$183,000;  
 "Operation and Maintenance, Air Force", \$1,925,000;  
 "Operation and Maintenance, Defense Agencies", \$2,307,000;  
 "Operation and Maintenance, Army Reserve", \$109,000;  
 "Operation and Maintenance, Navy Reserve", \$29,000;  
 "Operation and Maintenance, Marine Corps Reserve", \$3,000;  
 "Operation and Maintenance, Air Force Reserve", \$281,000;  
 "Operation and Maintenance, Army National Guard", \$285,000;  
 "Operation and Maintenance, Air National Guard", \$618,000;

"Court of Military Appeals", \$1,000;

## Research, Development, Test, and Evaluation:

"Research, Development, Test, and Evaluation, Army", \$336,000;  
 "Research, Development, Test, and Evaluation, Navy", \$33,000;  
 "Research, Development, Test, and Evaluation, Air Force", \$306,000;  
 "Research, Development, Test, and Evaluation, Defense Agencies", \$115,000;

## Military Construction:

"Military Construction, Army", \$93,000;  
 "Military Construction, Navy", \$39,000;  
 "Military Construction, Army Reserve", \$1,000;

Family Housing: "Family Housing, Army", \$10,000.



## DEPARTMENT OF DEFENSE—CIVIL

Cemeterial Expenses, Army: "Salaries and expenses", \$74,000;  
 Corps of Engineers, Civil: "General expenses," \$1,400,000, to be derived by transfer from "Construction, General";  
 Soldiers' and Airmen's Home: "Operation and maintenance", \$578,000, to be derived by transfer from "Capital outlays".

### SECTION III—INCREASED COSTS FOR RETIREMENT CONTRIBUTIONS (P.L. 99-335)

For additional amounts for appropriations for the fiscal year 1987, for Federal Employee Retirement System cost authorized by or pursuant to law as follows:

## DEPARTMENT OF DEFENSE—MILITARY

## Operation and Maintenance:

"Operation and Maintenance, Army", \$119,047,000;  
 "Operation and Maintenance, Navy", \$148,880,000;  
 "Operation and Maintenance, Marine Corps", \$8,117,000;  
 "Operation and Maintenance, Air Force", \$85,564,000;  
 "Operation and Maintenance, Defense Agencies", \$102,453,000;  
 "Operation and Maintenance, Army Reserve", \$4,858,000;  
 "Operation and Maintenance, Navy Reserve", \$1,306,000;  
 "Operation and Maintenance, Marine Corps Reserve", \$135,000;  
 "Operation and Maintenance, Air Force Reserve", \$12,471,000;  
 "Operation and Maintenance, Army National Guard", \$12,666,000;  
 "Operation and Maintenance, Air National Guard", \$27,479,000;  
 "National Board for the Promotion of Rifle Practice, Army", \$7,000;  
 "Court of Military Appeals", \$36,000;

## Research, Development, Test, and Evaluation:

"Research, Development, Test, and Evaluation, Army", \$14,955,000;  
 "Research, Development, Test, and Evaluation, Navy", \$1,477,000;  
 "Research, Development, Test, and Evaluation, Air Force", \$13,609,000;  
 "Research, Development, Test, and Evaluation, Defense Agencies", \$5,165,000;

## Military Construction:

"Military Construction, Army", \$4,136,000;  
 "Military Construction, Navy", \$1,736,000;  
 "Military Construction, Army Reserve", \$53,000;

## Family Housing:

"Family Housing, Army", \$435,000.



## SECTION IV—RESCISSION PROPOSALS

Department of Defense—Military  
PROCUREMENTPROCUREMENT OF WEAPONS AND TRACKED COMBAT VEHICLES, ARMY  
(Rescission proposal)

## Program and Financing (in thousands of dollars)

Identification code	21-2033-5-1-051	1986 actual	1987 est.	1988 est.	1989 est.
<b>Program by activities:</b>					
10.00	Total obligations (object class 25.0)		-15,000		
<b>Financing:</b>					
40.00	Budget authority (appropriation rescission proposal R87-21)		-15,000		
<b>Relation of obligations to outlays:</b>					
71.00	Obligations incurred, net		-15,000		
72.40	Obligated balance, start of year			-13,425	-8,040
74.40	Obligated balance, end of year			13,425	8,040
90.00	Outlays		-1,575	-5,385	-4,740

## Budget Plan (in thousands of dollars)

(amount for procurement actions programmed)

07.02	Weapons and other combat vehicles—total budget plan		-15,000		
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Funds added by Congress in the 1987 Defense Appropriation Act to recompetete the production contract for the 9mm handgun are not required. A contractor has already been awarded a multiyear contract through a competitive selection.

## OTHER PROCUREMENT, NAVY

(Rescission proposal)

## Program and Financing (in thousands of dollars)

Identification code	17-1810-5-1-051	1986 actual	1987 est.	1988 est.	1989 est.
<b>Program by activities:</b>					
10.00	Total obligations (object class 25.0)		-116,000		
<b>Financing:</b>					
40.00	Budget authority (appropriation rescission proposal R87-22)		-116,000		
<b>Relation of obligations to outlays:</b>					
71.00	Obligations incurred, net		-116,000		
72.40	Obligated balance, start of year			-102,660	-65,540
74.40	Obligated balance, end of year			102,660	65,540
90.00	Outlays		-13,340	-37,120	-32,213

## Budget Plan (in thousands of dollars)

(amount for procurement actions programmed)

07.04	Ordnance support equipment—total budget plan		-116,000		
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Funds added by Congress in the 1987 Defense Appropriation Act for the MK-92 CORT program are not required.

## MILITARY CONSTRUCTION

## MILITARY CONSTRUCTION, AIR FORCE

(Rescission proposal)

## Program and Financing (in thousands of dollars)

Identification code	57-3300-5-1-051	1986 actual	1987 est.	1988 est.	1989 est.
<b>Program by activities:</b>					
10.00	Major construction (total obligations) (object class 31.0)		-2,750		
<b>Financing:</b>					
40.00	Budget authority (appropriation rescission proposal R87-23)		-2,750		
<b>Relation of obligations to outlays:</b>					
71.00	Obligations incurred, net		-2,750		
72.40	Obligated balance, start of year			-2,395	-1,130
74.40	Obligated balance, end of year			2,395	1,130
90.00	Outlays		-355	-1,265	-535

## Budget Plan (in thousands of dollars)

(amount for procurement actions programmed)

07.01	Major construction—total budget plan		-2,750		
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Funds added by Congress in the 1987 Military Construction Appropriation Act for a Gymnasium at the Blytheville Air Force Base, Arkansas are not required.



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PART III

OTHER MATERIALS

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III-1



## EXPLANATION OF OTHER MATERIALS

This section includes the following material:

(a) A list of advance appropriations, as required by the Congressional Budget Act of 1974 (31 U.S.C. 1105(17)), including those resulting from multi-year appropriations requests, a list of appropriations with advance funding provisions, and a list of appropriations with forward funding provisions.

(b) A statement of amendments and revisions to 1987

budget authority requests that were transmitted to the Congress after the 1987 Budget but prior to the transmittal of the 1988 Budget, as required by section 601 of the Congressional Budget Act of 1974.

(c) A statement of the amounts of appropriations requested for Offices of Inspectors General, as required by section 3 of the Federal Managers' Financial Integrity Act of 1982 (Public Law 97-255).

III-2



# ADVANCE APPROPRIATIONS, ADVANCE FUNDING, AND FORWARD FUNDING FOR 1988

I. *Advance appropriations* are provided for use in a fiscal year, or more, beyond the fiscal year for which the appropriation act is passed. Advance appropriations in 1988 appropriations Acts will provide funding for programs beyond 1988. Since these appropriations are not available until after 1988, the amounts will not be included in 1988 budget totals, but will be reflected in the budget totals for the fiscal year requested. In certain cases, these amounts represent the second or a subsequent year request for appropriations on a multi-year basis.

The Congressional Budget Act of 1974 (31 U.S.C. 1105(17)) requires inclusion in the budget of "information on estimates of appropriations for the fiscal year following the fiscal year for which the budget is submitted for grants, contracts, and other payments under each program for which there is an authorization of appropriations for that following fiscal year when the appropriations are authorized to be included in an appropriation law for the fiscal year before the fiscal year in which the appropriation is to be available for obligation." In fulfillment of this requirement, the table below lists those accounts authorized to receive, in 1988, advance appropriations for 1989 and beyond and cites the authorizing statute. Also listed in Part A are accounts presented on a multi-year basis that have no specific legal authority. The listing is in two parts: Part A shows the amounts of advance appropriations included in the 1988 budget. Part B is a listing of accounts for which advance appropriations are authorized but not requested in the 1988 budget.

## A. Accounts for which advance appropriations are included in the 1988 budget:

- Funds Appropriated to the President: Assistance for the Nicaraguan democratic resistance (Public Law 99-145, sec. 1405) \$110,000 thousand for 1989.
- Department of Defense—Military: all accounts (Public Law 99-145, sec. 1405) \$317,224,603 thousand for 1989.
- Department of Defense—Civil: Payment to military retirement program (Public Law 99-145, sec. 1405) \$11,494,000 thousand for 1989.
- Department of Energy:
  - Atomic energy defense activities (Public Law 99-145, sec. 1405) \$8,500,000 thousand for 1989.
  - Clean Coal Technology, \$100,000 thousand for 1989.
- Department of Health and Human Services, except Social Security:
  - Federal subsidy for St. Elizabeths Hospital, \$24,000 thousand for 1989.
  - Retirement pay and medical benefits for Commissioned Officers, \$100,350 thousand for 1989.
  - Grants to States for Medicaid (42 U.S.C., sec. 1396) \$30,870,000 thousand for 1989 and \$8,500,000 thousand for 1990.<sup>1</sup>
  - Payments to Health Care Trust Funds, \$30,306,000 thousand for 1989.
  - Payments to Social Security Trust funds, \$93,291 thousand for 1989.
  - Special benefits for disabled coal miners (30 U.S.C., sec. 921) \$862,590 thousand for 1989 and \$220,050 thousand for 1990.<sup>1</sup>

Supplemental security income program (42 U.S.C., sec. 1381) \$12,102,224 thousand for 1989 and \$2,684,000 thousand for 1990.<sup>1</sup>

Family support payments to States (42 U.S.C., secs. 601 and 651) \$10,107,868 thousand for 1989 and \$2,673,942 thousand for 1990.<sup>1</sup>

Interim assistance to States for Legalization (Public Law 99-603, sec. 204) \$930,000 thousand for 1988, \$655,000 thousand for 1989, \$744,000 thousand for 1990, and \$733,000 thousand for 1991.<sup>2</sup>

Central Intelligence Agency: Payment to the Central Intelligence Agency retirement and disability fund (Public Law 99-145, sec. 1405) \$144,500 thousand for 1989.

Corporation for Public Broadcasting: Public broadcasting fund, \$214,000 thousand for 1988 and \$228,000 thousand for 1989.

Federal Emergency Management Agency: Salaries and expenses; defense-related activities (Public Law 99-145, sec. 1405) \$74,217 thousand for 1989.

Emergency management planning and assistance; defense-related activities (Public Law 99-145, sec. 1405) \$193,197 thousand for 1989.

Intelligence Community Staff (Public Law 99-145, sec. 1405) \$25,123 thousand for 1989.

Railroad Retirement Board: Federal payments to the railroad retirement accounts, \$3,100 thousand for 1989.

Selective Service System: Salaries and expenses (Public Law 99-145, sec. 1405) \$26,959 thousand for 1989.

## B. Accounts authorized to receive advance appropriations but for which none are requested in the 1988 budget:

- Department of Agriculture:
  - Food program administration (42 U.S.C., sec. 1752).
  - Food donations program (Public Law 93-29, sec. 209).
  - Child nutrition programs (42 U.S.C., sec. 1752).
- Department of Education. The following activities are authorized to receive advance appropriations (20 U.S.C. 1223 and 29 U.S.C. 703):<sup>3</sup>
  - Compensatory education for the disadvantaged.
  - Impact aid.
  - Special programs.
  - Indian education.
  - Bilingual education.
  - Immigrant education.
  - Education for the handicapped.
  - Special institutions for the handicapped.
  - Rehabilitation services and handicapped research.
  - Vocational and adult education.
  - Student financial assistance.
  - Guaranteed student loans.
  - Higher education.
  - Higher education facilities loans and insurance.
  - College housing loans.
  - Howard University.
  - Education research and statistics.
  - Libraries.
  - Education and research overseas (special foreign currency program).
- Department of Health and Human Services:
  - Family social services (Public Law 96-272).
  - Human development services (Public Law 97-35, sec. 657, Public Law 97-115, sec. 209).

<sup>1</sup> These accounts, for which advance appropriations are requested, are also requesting advance funding (see section II).

<sup>2</sup> Amounts identified for 1989 through 1991 may be adjusted based on reestimating at the time the budget is submitted for each year. However, the annual amount cannot exceed \$1 billion pursuant to Public Law 99-608.

<sup>3</sup> These statutes erroneously refer to "advance funding". Since these statutes describe and clearly intend to provide advance appropriations, the affected accounts are listed here, section I.



*II. Advance funding* is authority provided in appropriations acts to obligate and disburse funds during a fiscal year from a succeeding year's appropriation. The funds so obligated increase the budget authority for the fiscal year in which obligated and reduce the budget authority of the succeeding fiscal year. Essentially, this is a device for avoiding supplemental requests late in the fiscal year for certain entitlement programs, should the appropriations for the current year prove to be too low. The table below lists those accounts for which advance funding authority is requested in the 1988 budget.

Department of Labor:

- Federal unemployment benefits and allowances.
- Special benefits.
- Black lung disability trust fund.

*III. Forward funding* is authority provided in an appropriations act to obligate funds in one fiscal year for the financing of ongoing programs of grantees during the succeeding fiscal year. The budget authority for such programs is included in the budget totals for the year in which it is appropriated. This device is often used for education programs, so that grants can be made prior to the start of the school year. The language providing forward funding for education programs will specify that amounts appropriated will not be available until some time into the year of the appropriation (e.g., July 1, 1988) and in most cases will specify that such

amounts will remain available until the end of the succeeding fiscal year. The table below lists those accounts for which forward funding exists or is requested in whole or in part in the 1988 budget.

Department of Education:

- Compensatory education for the disadvantaged.<sup>1</sup>
- Special programs.<sup>1</sup>
- Education for the handicapped.
- Vocational and adult education.

<sup>1</sup> No new authority is being requested in the 1988 budget for these accounts, for which forward funding has been enacted previously.

In the training and employment area, forward funding is provided in some accounts by providing appropriations for a program year that starts in the fiscal year of the appropriation and extends into the following fiscal year. Program years running from July 1 to June 30 are authorized for training programs under the Job Training Partnership Act, State Employment Service operations under section 6 of the Wagner-Peyser Act, and senior citizen employment programs under Title V of the Older Americans Act. The table below lists those accounts for which such forward funding is requested in the 1988 budget.

Department of Labor:

- Training and employment services.
- Community service employment for older Americans.
- State Unemployment Insurance and Employment Services Operations.



## STATEMENT OF AMENDMENTS TO AND REVISIONS IN BUDGET AUTHORITY FOR 1987

(Between the Transmittal of the 1987 and 1988 Budgets)

A statement of all amendments to or revisions in budget authority requested between transmittal of the 1987 budget and the 1988 budget is presented below. This statement is being included in the budget in accordance with the Congressional Budget Act of 1974 (31 U.S.C. 1105(d)).

The modifications to requests for 1987 budget authority that were made through the course of the past year took three forms. If the Congress had not yet acted on a pending request, the President sent amendments to the budget requests transmitted in February 1986. If appropriations had been enacted, the President proposed

either supplemental budget authority or rescission of enacted appropriations.

Amendments and requests for supplemental appropriations are printed in the documents of the House of Representatives and the Senate that are identified in part A of the following listing. The President's proposals for rescissions are included in special messages to the Congress under the Impoundment Control Act of 1974 (Public Law 93-344). Both the special messages and monthly cumulative reports on the items they cover are printed in the Federal Register.

### PART A. AMENDED AND SUPPLEMENTAL REQUESTS RELATING TO 1987 BUDGET AUTHORITY

Transmitted to Congress on	Agencies affected	Printed as
Mar. 4, 1986.....	Legislative Branch.....	H. Doc. 99-159
Mar. 4, 1986.....	The Judiciary, Department of Defense—Military.....	H. Doc. 99-172
Mar. 18, 1986.....	Department of Energy, Department of Justice, The District of Columbia.....	H. Doc. 99-184
Apr. 25, 1986.....	International Security Assistance.....	S. Doc. 99-29
May 13, 1986.....	The Judiciary, International Development Assistance, Department of Health and Human Services, Department of State, Department of Transportation, International Trade Commission.	H. Doc. 99-219
May 14, 1986.....	International Development Assistance.....	H. Doc. 99-220
June 6, 1986.....	Veterans Administration.....	H. Doc. 99-232
June 24, 1986.....	Environmental Protection Agency, Federal Communications Commission, National Council on Public Works Improvement.	H. Doc. 99-239
July 28, 1986.....	Department of Labor.....	H. Doc. 99-247
Aug. 14, 1986.....	Legislative Branch, Department of Energy, Department of Housing and Urban Development, Department of Transportation, Department of the Treasury, General Services Administration, Office of Personnel Management.	H. Doc. 99-247
Aug. 15, 1986.....	Department of Health and Human Services.....	H. Doc. 99-259
Sept. 9, 1986.....	National Aeronautics and Space Administration.....	H. Doc. 99-264
Sept. 19, 1986.....	Department of Education, Department of Defense—Military, Department of Health and Human Services, Department of Justice, Department of the Treasury, ACTION.	H. Doc. 99-267
Sept. 30, 1986.....	Department of Defense—Military, Department of Energy, Veterans Administration.....	H. Doc. 99-275



**PART B. REQUESTS FOR RESCISSION OF BUDGET AUTHORITY**

There are no rescissions currently pending before the Congress.  
Rescission proposals associated with the 1988 budget request are  
shown in Part II of this appendix.



## APPROPRIATIONS REQUESTED FOR OFFICES OF INSPECTORS GENERAL

A statement of the amounts of appropriations requested for the Offices of Inspectors General for Federal departments or establishments is provided. This statement is submitted in accordance with section 201 of the Budget and Accounting Act, 1921, as amended by section 3 of the Federal Managers' Financial Integrity Act of 1982, Public Law 97-255. The following table shows the amount of budget authority requested for 1988 for the Offices of Inspectors General.

[In millions of dollars]

Agency	1986 actual	1987 est.	1988 est.
Agriculture	46.5	44.5	50.4
Agency for International Development	20.1	21.4	22.7

Commerce	12.8	13.2	15.3
Defense	63.7	80.0	85.9
Education	14.6	16.4	18.6
Energy	18.2	21.1	20.8
Environmental Protection Agency	16.7	20.2	21.8
General Services Administration	19.3	21.1	24.6
Health and Human Services	70.4	70.5	78.4
Housing and Urban Development <sup>1</sup>	23.1	25.1	26.1
Interior	15.4	16.3	18.1
Labor	40.5	42.0	45.7
National Aeronautics and Space Administration	5.3	6.4	8.5
Small Business Administration	5.8	6.5	7.3
State	6.2	9.7	14.5
Transportation	26.4	27.2	30.1
Treasury	50.3	51.3	54.4
Veterans Administration	18.5	19.0	20.4
<b>Total</b>	<b>473.8</b>	<b>511.9</b>	<b>563.6</b>

<sup>1</sup> Obligational level.



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PART IV

GOVERNMENT-SPONSORED ENTERPRISES

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IV-1

This part of the budget has not been extracted for reprinting and distribution by the Department of Defense. It may be referred to on pages IV-1 through IV-14 of "The Budget of the United States Government" (APPENDIX).